



# **PROGRAM EVALUATION**

## **PROGRAM EVALUATION: KENTUCKY BUREAU FOR THE BLIND**

**Committee for Program Review & Investigation**

**Research Report No. 175**

**Legislative Research Commission**

**Frankfort, Kentucky**

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# **PROGRAM EVALUATION: KENTUCKY BUREAU FOR THE BLIND**

**KENTUCKY GENERAL ASSEMBLY  
COMMITTEE FOR PROGRAM REVIEW AND INVESTIGATION**

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**Research Report No. 175**

***Legislative Research Commission  
Frankfort, Kentucky  
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## FOREWORD

The Committee for Program Review and Investigation, at its June 6, 1979 meeting, voted to perform an evaluation of the Kentucky Bureau for the Blind. The written response of the Bureau for the Blind is the final appendix to this report.

We thank Mr. Charles McDowell, Executive Director of the Bureau for the Blind, the staff of the Bureau, and staff of the Secretary of the Education and the Arts Cabinet for their assistance and cooperation in this study.

Yair G. Riback was the project manager for the evaluation. The project staff also included Emy Redman Lynch and Brent A. Neiser. Jeannie C. Privett prepared the manuscript. The cover was designed by University of Kentucky Art Department student, John Cox.

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The Capitol  
Frankfort, Kentucky  
December, 1980



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## SUMMARY

This report evaluates the Kentucky Bureau for the Blind, comparing its services for the blind and visually impaired with those provided by the Bureau for Rehabilitation Services (BRS) prior to the establishment of the Bureau for the Blind (BFB) in 1976, and with blind service agencies in other states.

In its study request, the Committee for Program Review and Investigation raised three major concerns: (1) the extent of services rendered by the Bureau for the Blind, as compared with such services previously provided by the Bureau for Rehabilitation Services; (2) whether the Bureau for the Blind is concentrating on the more severe cases, as mandated by the federal government; and (3) whether the Bureau's administrative costs are excessive. The major conclusions are:

- The Bureau for the Blind now serves more individuals than the Bureau for Rehabilitation Services served during the prior period. This increase has resulted primarily from the opening of four new field offices and the hiring of additional counselors.

- Although no direct evidence could be found to indicate that more severe cases are presently being served, indirect evidence is supportive. The Bureau spends more than twice the money per rehabilitated client that the Bureau for Rehabilitation Services spent. This would be the case if more severe cases were being served.

- Several methods used to analyze the Bureau's administrative costs show greater administrative expenditures than the Bureau for Rehabilitative Services incurred for such services. Due to the lack of common definition of administrative costs and reporting procedures by the two agencies under study, comparative analysis is difficult. However, the existence of six organizational divisions and the need to provide administrative services previously furnished by the Bureau for Rehabilitation Services have resulted in higher administrative costs.

The Kentucky Revised Statutes (KRS) established that the Bureau for the Blind should consist of seven organizational units:

- Division of Field Services
- Division of Technical Services
- Division of Business Enterprises
- Division of Rehabilitation Services for the Blind
- Division of the Kentucky Industries for the Blind
- Division of Employment Services
- Office of the Ombudsman

Major findings, conclusions and recommendations are summarized as follows for each unit.

### Division of Field Services

The Division of Field Services serves clients through its ten field offices and fourteen counselors. Counselors conduct initial screening, refer clients for diagnosis and vocational evaluation, prepare individualized rehabilitation plans and refer clients for rehabilitation and vocational training. Most of the diagnoses, evaluations and training are provided through third

parties, such as physicians, optometrists, vocational testing services or other private or public agencies. Payments to third parties are authorized by the counselors. Within the Bureau, the Kentucky Industries for the Blind, the Business Enterprises Program and the Rehabilitation Center are among those which provide such services.

### **Recommendation**

The main problems influencing this division are the shortage of training facilities and the limited availability of jobs for the blind. Client services need to be expanded. This division should be strengthened through additional personnel, functions, and funds transferred from other divisions.

### **Division of Technical Services**

The Division of Technical Services has three units: technical research and development, technical aids purchasing service, and a talking books unit. Its major mission is to develop procedures and aids to solve technical problems facing the blind at work or in training. Evaluation of this division's activities is difficult because the division lacks adequate documentation regarding the use and distribution of its technical products.

### **Recommendations**

Three recommendations are made relating to the Division of Technical Services: (1) Transfer the technical aids purchasing services to the Division of Field Services; (2) Transfer the talking books program to the Library for the Blind and the Physically Handicapped in the Kentucky Department of Libraries; and (3) Establish a self-sustaining, non-profit organization to provide the remaining services, and guarantee its support for the first five years.

### **Division of Business Enterprises**

The Division of Business Enterprises is the unit which administers the Business Enterprises Program, which establishes blind persons as vending facility operators. In fiscal year 1979, there were fifty-two such facilities, employing seventy-six blind vendors.

The program staff selects sites, trains potential vendors, and furnishes all equipment and the initial inventory for the vending facilities. After a facility is established, the division provides ongoing management services, and repairs and replaces vending equipment as needed. Federal matching funds are used and therefore federal guidelines and policies are involved.

The major problem facing this program is the rising cost of services provided to already existing stands. The expense of equipment replacement has more than doubled in the last three years, even though the number of vending stands did not increase appreciably during this period. Such expenditures also escalate when new stands open and more vending machines are introduced. If this situation is not changed, the Business Enterprises Program will have to absorb funds from other Bureau programs even with no expansion. A 1979 federal policy determination regarding repair services has already necessitated a program request for an additional \$30,000 from the general fund.



## **Recommendations**

Major recommendations are to:

- transfer the costs of repair and replacement of vending machines to the operators of stands; and
- reduce the set aside payments of stand operators from 10 percent to 5 percent of net income.

The latter suggestion would offset the additional costs of repair and replacement paid by the operators. The 5 percent in set aside payments would allow enough money for further program growth and support management services to existing stands. These changes would also provide operators with incentive for better maintenance of machines.

Vending stands should be audited on a regular basis to improve their management practices and help ensure the accurate collection of set aside funds. The recommendations should be introduced gradually through a plan that considers levels of income and business potential.

## **Division of Rehabilitation Services for the Blind**

The Rehabilitation Center for the Blind helps blind adults adjust to blindness through developing mobility, communication and other skills. It is the only agency in Kentucky which provides such services to blind adults.

The Center employs seventeen persons and in fiscal year 1979 served forty-two residential and fourteen day students. Residential students had an average stay of twelve weeks. The Center's fiscal year 1979 budget was \$326,733.

## **Recommendations**

There is a need for better coordination between the Center and the Division of Field Services' counselors. Also a follow-up system on clients leaving the Center would generate useful feedback for program modifications and quality control.

## **Division of the Kentucky Industries for the Blind**

The Kentucky Industries for the Blind (KIB) acts primarily as a sheltered workshop and employs about fifty persons engaged in producing various products. One purpose of this facility is to train people for employment in outside industries. During the last two years, however, no KIB employee has been hired by an outside industry. Reasons for this include:

- the scarcity of jobs made available to blind individuals;
- a hesitancy by KIB clients to leave its relative security; and
- inadequate training in the use of modern production machinery.

## **Recommendations**

The training program should be broadened and upgraded, and a capital equipment fund established to increase production capabilities through the purchase of modern machinery and tools. An aggressive program of promotion and education is needed.

## **Division of Employment Services**

The Division of Employment Services is responsible for developing jobs for the blind through negotiation, persuasion, and demonstration. This division's rather weak performance record is attributable not so much to any shortcomings of its personnel, but to public resistance to employing the blind. For example, Kentucky state government employs approximately thirty-five thousand people but less than twenty of these are blind, except for those in the Bureau.

### **Recommendation**

This Division should be abolished and its functions transferred to the Division of Field Services. This change would improve coordination between the counselors and the ten field offices.

## **Office of the Ombudsman**

### **Recommendation**

The Office of the Ombudsman should be transferred to the Office of the Secretary for Education and the Arts Cabinet. The number of complaints the Bureau for the Blind handles does not justify the retention of a full-time ombudsman.

## INTRODUCTION

At its June 6, 1979 meeting, the Committee for Program Review and Investigation voted to conduct a full study of the Bureau for the Blind. The Committee settled upon six issues for study:

1. The extent to which the needs of eligible blind and visually impaired Kentuckians are being met.
2. Whether these needs are being met more fully under the Bureau for the Blind than under the old structure within the Bureau for Rehabilitation Services.
3. Whether services are being delivered more efficiently under the Bureau for the Blind than under the Bureau for Rehabilitation Services.
4. Whether federal priority guidelines requiring the most severely disabled to be served first are being followed.
5. The actual administrative costs of the Bureau.
6. Whether the citizens advisory committee should be formally constituted as a commission for the blind.

These issues have been analyzed by reviewing extensive program and financial data obtained from the Bureau and from other sources and are specifically addressed in the Conclusions section. Detailed interviews of Bureau staff and other appropriate persons were made and several joint meetings between Program Review Committee staff, Bureau management personnel and other interest groups were held. The body of this report consists of a comprehensive review of the Bureau for the Blind, its programs, administrative and financial condition. Recommendations are included in every chapter.

Chapter I describes the background, development and organization of the Bureau, including brief discussions of its present staffing patterns and the role of external groups in its operations. Chapter II addresses the Bureau's budget, expenditures and administrative costs. Chapter III is a comprehensive discussion of the Bureau's programs and services and the population served.

### Background of the Study

The Bureau for the Blind (BFB) was established by the 1976 General Assembly, which enacted H.B. 437, codified as KRS 163.450 to 163.470 (Appendix B). Until the Bureau began operations, services to the blind and visually impaired were provided through the Bureau for Rehabilitation Services (BRS) of the Department for Occupational Education within the Kentucky State Department of Education. Opponents of the new, separate bureau argued that it would be more expensive, because of duplicative administrative costs, and that it was not justifiable to create a separate agency for the blind while all other physically handicapped were served through BRS. Proponents of the new bureau argued that the new bureau would not cost the state more and that services to the blind and visually impaired would improve.

## Previous Studies and Executive Action

The earliest and most extensive study performed was by Cresap, McCormick and Paget, Inc., a New York-based consulting firm (referred to hereafter as Cresap). Their report, "Study of the Organization of Services for the Blind" (New York, March, 1975), examined services and delivery systems in Kentucky. Major findings and conclusions were:

1. There is lack of coordination among divisions in BRS.
2. Resources allocated to rehabilitation services for blind persons compare favorably with those for other categories of disabled persons in Kentucky, but not with units serving the blind in other states surveyed.
3. The Division of Services for the Blind is poorly managed.
4. Field staff lack adequate training and supervision.
5. Systematic methods of personnel and program evaluation are not employed.
6. Personnel resources are frequently not appropriately utilized.
7. Fiscal controls are not vigorously applied.
8. Confusion of advocacy and service delivery roles on the part of the Division has impeded effective functioning of the Division.
9. Basic records and reports are not kept.
10. The scope of programs is not well defined, and does not represent a coherent program of services to clients.
11. Job development and placement functions are not being adequately performed.
12. The orientation of the Kentucky Industries for the Blind (KIB) and the Rehabilitation Center for the Blind programs appears to be both narrow and static.

The Cresap report identified five alternatives for change and selected two as the most viable. The first option was to reorganize the Bureau for Rehabilitation Services; the second recommended the creation of a separate Bureau for the Blind. Although Cresap recommended the creation of a separate agency for the blind, there is no evidence as to what part, if any, it had in the creation of the Bureau.

As soon as legislation creating the Bureau for the Blind was enacted, it became a subject of concern to the Executive Branch. This concern was summarized by Governor Carroll in a letter dated May 10, 1977, to Dr. Stephen J. Cornett, Director of the Office of Rehabilitation Services of the Atlanta Regional Office of the U.S. Department of Health, Education and Welfare. In his transmittal letter, which accompanied the first annual state plan for services for the blind, the Governor said:

. . . I want to lend some historical perspective to the manner in which [the plan] . . . was developed and then to convey my personal observations regarding its implementation.

The legislature enacted, and I signed, H.B. 437 with the understanding that the present level of services could be continued at no additional cost to the state, and in pursuing implementation of the legislation that objective has been foremost in our minds. After House Bill 437 became law, it quickly became obvious that there were some basic problems with the legislation which would be difficult to surmount. These problems, in

essence, evolved from the fundamental question of whether the Bureau could indeed be activated without any additional costs to the state and without any loss of rehabilitation services to individuals presently enjoying those services.

These concerns resulted in Governor Carroll's Executive Order 76-585, which returned the responsibility for services to the blind and visually impaired to the Bureau of Rehabilitation Services, pending a report of a citizens advisory committee which he appointed. The committee's mission was to anticipate fiscal and program effects of the implementation of H.B. 437.

The committee concluded that it could not adequately resolve the questions relating to service levels and added costs of administration. It recommended, however, to give the advocates of H.B. 437 an opportunity to demonstrate whether the legislation could be implemented at the same funding levels. The full report to the Governor is presented as Appendix C.

In 1977, the Legislative Research Commission subcommittee on Elementary and Secondary Education and the Arts of the Interim Joint Committee on Appropriations and Revenue addressed the issues of duplicative costs and the level of services provided by the newly formed Bureau for the Blind. This study is not very useful, however, since it was performed so soon after the Bureau's creation.

Recommendations included within this report having a significant fiscal impact are accompanied by estimated costs of implementation. Those that do not have fiscal estimates are considered to require little if any state expenditure.



# CHAPTER I

## DEVELOPMENT AND ORGANIZATION OF THE BUREAU FOR THE BLIND

This chapter presents a discussion of the federal and state laws and regulations governing the Bureau for the Blind and recommends certain statutory changes and clarifications. Next it describes the organizational transition that occurred in creating the Bureau for the Blind. It concludes with a discussion of the Bureau's staffing and payroll.

### Legal Background

By enacting H.B. 437 (codified as KRS 163.450 through 163.470) the 1976 General Assembly established the Bureau for the Blind and authorized it to deliver services to the blind. To qualify for federal matching funds, the Bureau must meet the requirements and criteria set by the Federal Rehabilitation Act of 1973 (Public Law 93-112), as amended, and by the regulations promulgated in implementing this Act. This section is a review of the federal laws and regulations and the Kentucky Revised Statutes pertaining to the Bureau for the Blind.

### Federal Law

Services to the blind are governed by the Rehabilitation Act of 1973 (Public Law 93-112), as amended in 1974 by P.L. 93-516 and in 1978 by P.L. 95-602, and by regulations promulgated in implementing this Act. The latter include the following:

1. Regulations Governing Vocational Rehabilitation Programs: 45 CFR § 1361 and 1362.
2. Regulations Governing Vending Facilities for the Blind: 45 CFR § 1369.
3. Regulations Governing Non-Discrimination on the Basis of Handicap: 45 CFR § 84, which effectuate Section 504 of the Vocational Rehabilitation Act of 1973.
4. Regulations Governing Employment of the Handicapped: 29 CFR § 524 (competitive employment) and 24 CFR § 525 (sheltered employment).

Section 100 (a) of the Rehabilitation Act of 1973 sets forth the requirements for state plans and explains that "the purpose of this title (I), is to authorize grants to assist states to meet current and future needs of handicapped individuals, so that such individuals may prepare for and engage in gainful employment to the extent of their ability."

Federal allotments to the states are proportional to population and are matched by state money at the ratio of four federal dollars for each state dollar. Funds provided under Section 110 of the Act constitute forty-two percent of the Bureau for the Blind budget.

In order to qualify for federal matching funds, the Bureau for the Blind must provide, as appropriate, the services listed in the federal regulations (45 CFR § 1361.40):

1. Evaluation of rehabilitation potential, including diagnostic and related services incidental to the determination of eligibility, and the nature and scope of services to be provided.
2. Counseling and guidance including personal adjustment counseling to maintain a

counseling relationship throughout a handicapped individual's program of services; and referral necessary to help handicapped individuals secure needed services from other agencies when such services are not available under the Act.

3. Physical and mental restoration services.
4. Vocational and other training services, including personal and vocational adjustment, books, tools and other training materials.
5. Maintenance.
6. Transportation.
7. Services to members of a handicapped individual's family when such services are necessary to the adjustment or rehabilitation of the handicapped individual.
- [8. Services to the deaf.]
9. Reader services, rehabilitation teaching services and orientation and mobility services to the blind.
10. Telecommunications, sensory and other technological aids and devices.
11. Recruitment and training services to provide new employment opportunities in the fields of rehabilitation, health, welfare, public safety, law enforcement and other appropriate public service employment.
12. Placement in suitable employment.
13. Post-employment services necessary to assist handicapped individuals to maintain suitable employment.
14. Occupational licenses, tools, equipment, initial stocks (including livestock) and supplies.
15. Other goods and services which can reasonably be expected to benefit a handicapped individual in terms of employability.

The phrase "services to the blind and the visually impaired" in this report may refer to any or all of the services listed above.

### **State Law**

Questions concerning the General Assembly's intent in several sections of the legislation establishing the Bureau for the Blind have arisen. In a letter to the Secretary of the Education and the Arts Cabinet, the Attorney General identified several deficiencies in the statute as enacted and suggested statutory clarification of these (see Appendix C).

Kentucky Revised Statutes designate the Bureau for the Blind as the state agency authorized to receive all state and federal funds for rehabilitation services to the blind. The Attorney General points out in his letter that the Secretary of the Cabinet is the proper person to administer vocational rehabilitation services for the blind, and his office is the proper state agency to receive all federal and state money. Recognizing confusion in the statute regarding this point, the letter states in part:

It is also true that section 3 provides that the 'Bureau' shall be the agency designated to receive state and federal funds. This clearly attempts to give the sub-agency (Bureau for the Blind) some type of status, which is not readily identifiable in the normal state administrative hierarchy. The statute is confusing and inconsistent on this point, and it is the recommendation of this office that it be clarified as quickly as possible. However, because of the



fact that the Bureau is by statute part and parcel of the Education and the Arts Cabinet, and because the executive director of the Bureau for the Blind is 'directly responsible to the Secretary,' it is the feeling of this office that the Secretary is the proper person (state agency) to receive state and federal funds . . . .

It seems that the General Assembly, while having good intentions in setting up a new and dynamic program, failed to identify the proper administrative chain of command, and we again urge them to clarify this matter . . . .

If, in fact, the General Assembly intended to create the Bureau for the Blind as a cabinet level agency, or as a separate autonomous agency, statutory clarification is needed.

### **Recommendation of the Attorney General**

The General Assembly should amend KRS 163.470(3) to designate clearly the Secretary of the Education and the Arts Cabinet as the proper state agency to receive all state and federal funds for rehabilitation services to the blind.

Section 163.450 of the Kentucky Revised Statutes stipulates that the program serving the blind was created "in order that they may increase their social and economic well-being and the productive capacity of the Commonwealth and the nation." The inclusion of "social well-being" seems to expand the Bureau's functions beyond the Federal Rehabilitation Act, which governs its services. The Federal Act clearly limits the Bureau to vocational rehabilitation services. While such services can enhance social well-being, the delivery of social services which might be implied by the statutes is beyond the scope of the Federal Act. Such services would presumably be in the areas of recreation, mental and physical health, welfare, transportation (other than for the purpose of transportation needed to attend rehabilitation services), and housing. If the legislators' intent was, in fact, to provide such services through the Bureau for the Blind, the law should have been more specific at this point and additional appropriations for such services should be made.

The issue of having a commission rather than a bureau was the subject of intense debate during the discussions that led to the establishment of the Bureau. This issue seems, however, to be more semantic, or emotional, than substantial. An examination of KRS 12.010, KRS 12.020, KRS 12.250 and KRS 12.265 shows clearly that several types of agencies, departments, bureaus, boards, authorities, commissions or offices can, in fact, have equal status in their relationship to the Governor. The status and authority of a particular agency does not depend on its nomenclature, but rather on what powers the statutes give it. No change in name is recommended here.

### **Organization**

Services to the blind were previously provided through the Bureau for Rehabilitation Services (BRS) of the Kentucky State Department of Education. There are several reasons why BRS and its services are discussed here. They are as follows:

1. Both the Bureau for the Blind and BRS are governed by the same federal laws and regulations.

2. Federal funds for both agencies are processed via the same letter of credit. Federal funds for both agencies are initially distributed to the Office of the Secretary of the Education and the Arts Cabinet, which then distributes the funds to BRS and the Bureau for the Blind.

3. Services delivered to the blind under BRS can serve as a benchmark for evaluation of services delivered by the Bureau for the Blind. (The Committee for Program Review and Investigation specifically requested such a comparison.)

Two BRS units were organized to provide services to the blind and visually impaired:

1. The Division of Services for the Blind, and

2. Kentucky Industries for the Blind and the Rehabilitation Center for the Blind.

Blind and visually impaired persons could also have received services from other BRS divisions, but data to demonstrate this are not available. Figure 1 shows the organizational structure of the Bureau for Rehabilitation Services in 1975.

The Kentucky Revised Statutes define the structure of the Bureau for the Blind by establishing six divisions and an ombudsman at the division director level. Each organizational unit of the Bureau, with the exception of the internal auditor, is created by statute. Figure 2 presents the current organizational structure of the Bureau. The executive director is responsible directly to the Secretary of the Education and the Arts Cabinet.

The Division of Services to the Blind under BRS was composed of three units, each headed by a supervisor or assistant director (Figure 3). These units, the Rehabilitation Materials Units, the Field or Counseling Services Office, and the Business Enterprise Program Office, became divisions, each headed by a division director, under the Bureau for the Blind. The BRS administrative division that managed the Kentucky Industries for the Blind and the Rehabilitation Center for the Blind became two separate divisions in the new Bureau. The statutes also establish a division for employment services.

In addition to the six mandated program divisions, the new Bureau has had to provide the following administrative functions previously provided by BRS.

1. Executive management.
2. Internal audit.
3. Program development and evaluation.
4. Fiscal and personnel services.

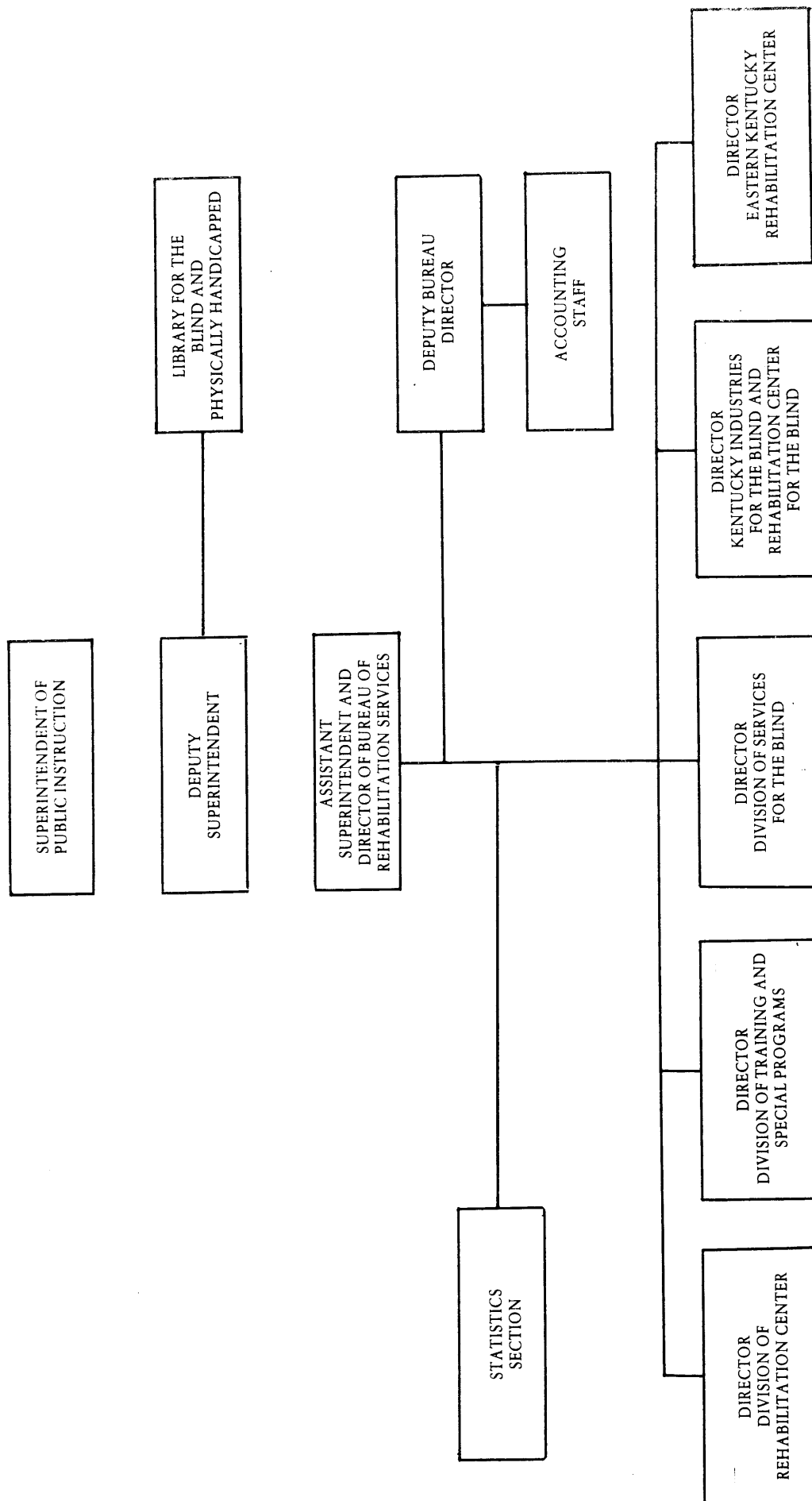
Inclusion of a detailed organizational structure as part of the statutes limits the ability of the Bureau to initiate organizational and program changes, since such changes require legislative action or an executive order.

## **Recommendation**

KRS 163.470 should be amended to allow more flexibility in organizing and administering the Bureau for the Blind. Statutes should specify the Bureau's functions, not its organizational structure. When this has been accomplished, the number of divisions within the Bureau should be reduced in line with recommendations made elsewhere in this report.

FIGURE 1

ORGANIZATION CHART, BUREAU OF REHABILITATION SERVICES,  
JANUARY, 1975



SOURCE: Bureau of Rehabilitation Services, Department for Occupational Education, Kentucky State Department of Education.

FIGURE 2

ORGANIZATION CHART,  
KENTUCKY BUREAU FOR THE BLIND, 1979

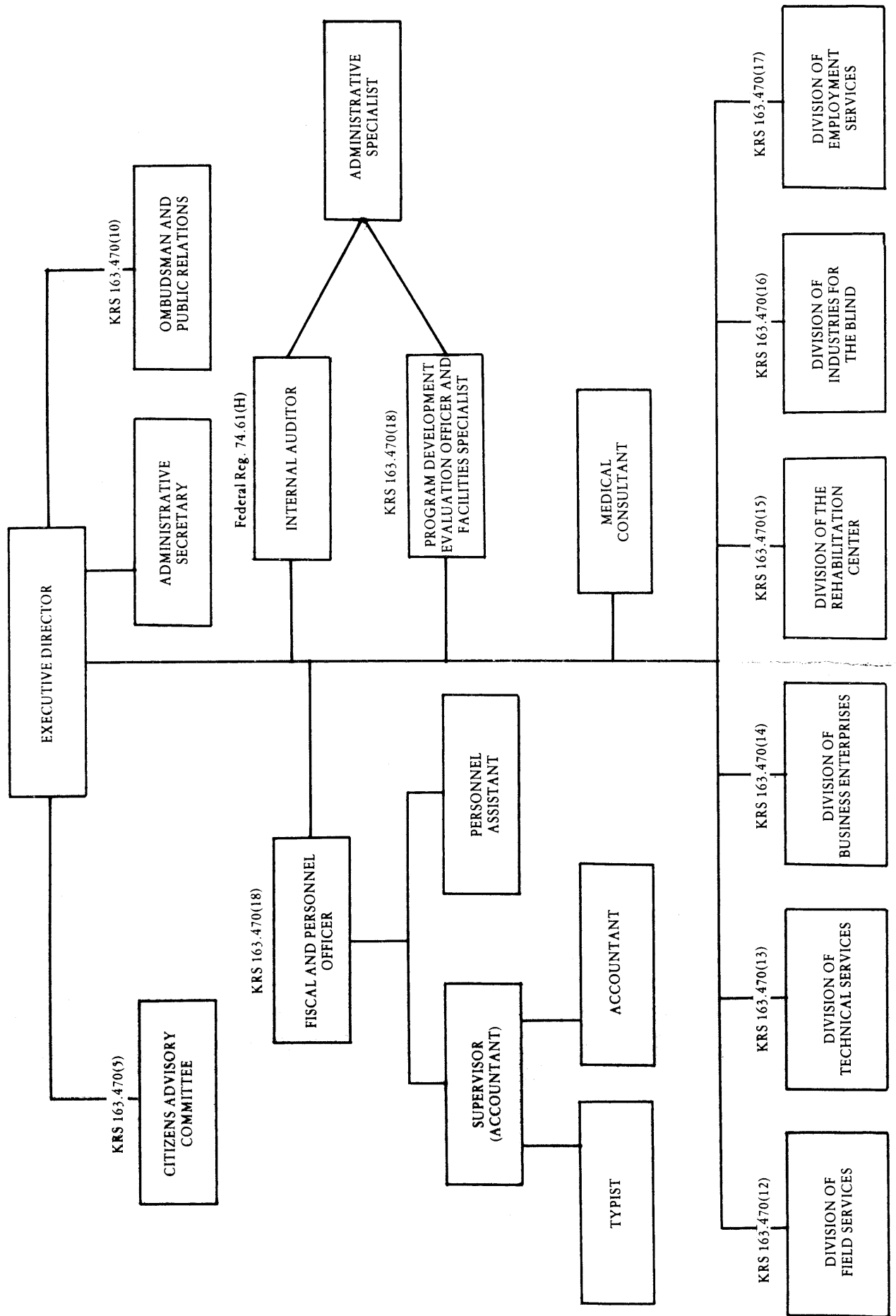
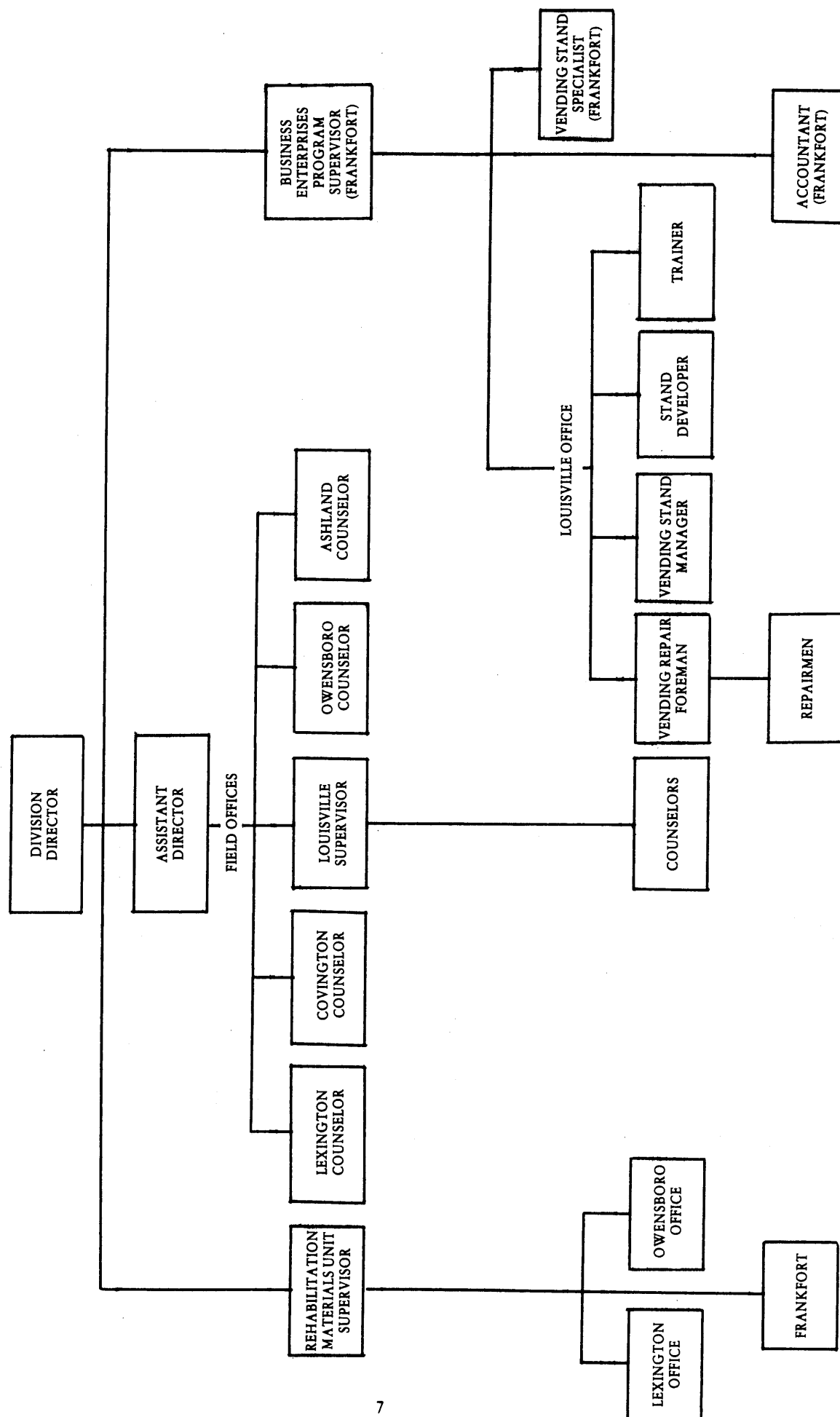


FIGURE 3

ORGANIZATION CHART,  
BUREAU OF REHABILITATION SERVICES,  
DIVISION OF SERVICES FOR THE BLIND, JANUARY, 1975



SOURCE: Kentucky Bureau for the Blind.

## Staff and Payroll

In FY 1979, the Bureau employed 115 people, not including thirty-two full-time and twenty-two part-time employees at Kentucky Industries for the Blind (KIB). The Bureau's payroll was \$1,611,887; KIB costs were \$231,511 of this. The KIB production-line employee payroll was \$321,953. Table 1 shows the Bureau's payroll positions listed by title, excluding both the regular and production line payroll of the KIB. The Kentucky Industries for the Blind is an essentially autonomous organization located in Louisville. This factor, along with its revenue-producing orientation and lack of federal funds, prompts the researcher to treat it separately.

TABLE 1

### KENTUCKY BUREAU FOR THE BLIND POSITION LISTING, FY 1979

POSITIONS	NUMBER OF POSITIONS	PERCENTAGE OF POSITIONS
Directors	7	6.1
Assistant Directors	2	1.7
Secretarial/clerical	36	31.3
Auditor	1	.9
Finance	8	7.0
Evaluation/staff development	1	.9
Ombudsman	1	.9
Instructors	7	6.1
Supervisors	5	4.3
Nurses	1	.9
Counselors	15	13.0
Residential aides	2	1.7
Placement Officers	2	1.7
Technicians	9	7.8
Coordinators	2	1.7
Talking books coordinator	1	.9
Sales representative	1	.9
Foreman	6	5.2
Laborers	3	2.6
Equipment operators	2	1.7
Storekeeper	1	.9
Administrative specialist	1	.9
Homebound teacher	1	.9
<b>TOTAL</b>	<b>115</b>	<b>100.0</b>

SOURCE: Kentucky Bureau for the Blind.

The 115-person total for FY 1979 is compared with seventy-eight employed by the Bureau for Rehabilitation Services (BRS) in FY 1975 to provide services to the blind and visually impaired. At the time the Bureau was created, however, the Bureau for Rehabilitation Services employed ninety-eight people serving the blind, all of whom were transferred to the new Bureau. The staffing patterns of the two bureaus are compared in Table 2.

TABLE 2.

STAFFING PATTERNS FOR THE BUREAU OF  
REHABILITATION SERVICES (FY 1974) AND THE  
BUREAU FOR THE BLIND (FY 1979)  
BY UNIT AND POSITION CATEGORY

UNIT <sup>a</sup>	SUPERVISORY		PROFESSIONAL		TECH./SUPPORT		SEC./CLERICAL		TOTAL		% OF TOTAL	
	BRS	BFB	BRS	BFB	BRS	BFB	BRS	BFB	BRS	BFB	BRS	BFB
Central Office	2	2	-	-	1	6 <sup>b</sup>	1	5	4	13	5.1	11.3
Counseling units <sup>c</sup>	1	4	8	14	-	2	8	19	17	39	21.8	33.9
Business Enterprise	1	4	-	-	11 <sup>d</sup>	7	4	3	16	14	20.5	12.2
Rehab. Materials Talking Books	{ -	2	-	-	{ 4 <sup>d</sup> 2	5	{ 3 -	4	{ 7 2	11	{ 9.0 2.6	9.6
Ky. Ind. for Blind.	2	2	-	-	8	13	6	6	16	21	20.5	18.3
Rehab. Center	1	2	9	10	4	2	2	3	16	17	20.5	14.8
Total	7	16	17	24	30	35	24	40	78	115	100.0	100.0
% of Total	9.0	13.9	21.8	20.9	38.5	30.4	30.8	34.8	100	100		

SOURCES: Kentucky Department of Personnel, 1979 Position Control Run, and Cresap et al. Report, 1975.

<sup>a</sup> Units of BRS as identified in the report compared to their present equivalents.

<sup>b</sup> This includes people handling fiscal matters, personnel, and so on.

<sup>c</sup> Including Field Services and Employment Services.

<sup>d</sup> The Cresap, et al. report identifies these positions as "professional" positions; the nature of their duties, however, is technical.

<sup>e</sup> Does not include KIB laborers.

Several points may be noted in connection with Table 2.

1. The central office units employ thirteen persons; BRS employed four. This number includes those who handle fiscal and personnel matters, and program evaluation duties. The percentage of the central office employees in the Bureau for the Blind is 11.3, compared to 5.1 percent in the Bureau for Rehabilitation Services.

2. There is a notable increase in the number of persons employed in the counseling units. The Bureau for the Blind employs thirty-nine persons in these units (33.9 percent of all positions); BRS employed seventeen (21.8 percent of all positions in FY 1975).

The increase consists of three additional persons in supervisory positions (division directors), six counselors, eleven persons in secretarial and clerical positions and two people with technical and support duties.

3. While there is an increase in the number of persons employed in all the job classification groupings, only the supervisory and secretarial-clerical groups grew in percentage.

4. The number of technical and support personnel has increased by five, but their percentage has declined by 8.1 percent.

5. The largest job classification grouping is the secretarial-clerical group, which has forty persons (34.8 percent of all positions). This figure reflects the establishment of six division offices and the need of blind employees to use the services of sighted secretaries. The percentage is not unusual when compared to national and state averages. For instance, the Bureau for Rehabilitation Services presently employs 37.7 percent of its people in these categories.

Blind professionals, administrators and counselors need the services of sighted secretaries. The Bureau's policy of hiring blind employees whenever possible creates a need for a greater number of secretaries and clerks, contributing to higher administrative costs. This issue is part of the larger issue of employing the blind, discussed later.

The June 21, 1979, Position Control Listing published by the Department of Personnel shows four vacant division director positions. These positions are presently handled by people outside that job classification. If these positions had been filled by people classified as division directors, supervisory and administrative costs, both in absolute dollars and as a proportion of total costs, would be higher.

## **Recommendation**

The executive director of the Bureau for the Blind, Department of Personnel staff, and the Secretary of the Education and the Arts Cabinet should examine the Bureau's present staffing pattern for the purpose of abolishing unnecessary positions.

While the statutes establish six divisions, they do not specify that each must be headed by a division director. The executive director may specify the duties of directors and may assign one director to supervise more than one division. Or, he may assign a supervisor to manage a division. Further discussion of the organizational structure is included in sections dealing with each of the Bureau's divisions.

## **Role of External Groups**

This section discusses the citizens advisory committee, which was established by



statute, and the two blind advocacy organizations, which play significant roles in the operation of the Bureau for the Blind.

### **Citizens Advisory Committee**

KRS 163.470(5) directs the Bureau to establish a citizens advisory committee to advise the Bureau and its executive director. A review of the committee's minutes supports statements made by several Bureau officials that the committee has assumed more responsibility, influence and authority than befit the advisory role defined by the statutes. The committee's minutes also provide evidence of several other problems:

- The committee has not adopted bylaws or procedural rules to delineate and define its functions and govern its operations.
- The committee, which was actually appointed before the Bureau was established, interviewed candidates for the executive director positions and, in fact, recommended the incumbent for this post.
- Membership on the committee is not limited in time, a condition which may inhibit changes and new membership. This non-limited tenure gives the present members even more influence.
- Bureau employees are prohibited by law from serving on the committee, but blind vendors are not. At present, four of the committee's seventeen members are vendors. Because of the relationship of the Bureau to the vending stands, this membership may constitute conflict of interest, since the committee makes policy and budget recommendations. This issue is further discussed in Chapter III.
- In at least one case, a person was appointed to the committee by the committee itself, by-passing the responsibility of executive director of the Bureau.
- Sighted members of the committee, representing other agencies, have poor attendance records.

### **Recommendations**

1. The committee should adopt bylaws and procedural rules delineating its responsibilities and governing its operations. Such bylaws should reflect its advisory nature.
2. The committee bylaws should restrict vendors in the Business Enterprises Program (BEP) from voting on policy and budget matters which affect the BEP program.
3. The tenure of membership should be fixed and members should be appointed on a staggered or rotating basis.
4. The committee members should be recommended by the Bureau for the Blind and appointed by the Governor or the Secretary of the Education and the Arts Cabinet.

### **Blind Advocacy Organizations**

There are two major blind advocacy groups in Kentucky. One is the Kentucky Chapter of the Federation of the Blind. The other is the Kentucky Chapter of the American Council for the Blind. In 1976 they were divided on the issue of establishing the Bureau as a separate entity. Now they agree on the concept of the Bureau and its organizational separation from the Bureau of Rehabilitation Services. Detailed analysis of the role and impact of these

groups on the Bureau is beyond the scope of this study. However, it must be noted that their opinions regarding issues affecting the blind in Kentucky are influential and should be considered in any major actions that affect the Bureau.

## CHAPTER II

### BUDGET, EXPENDITURES AND ADMINISTRATIVE COSTS

This chapter deals with the costs of administering the Bureau for the Blind. The Bureau first operated as a separate and relatively stable organization in fiscal year (FY) 1978.

FY 1977 was characterized by transition and reorganization and therefore not typical for comparative and analytical purposes.

#### Budget and Expenditures

Tables 3-A and 3-B present the Bureau's budget by sources of funds, and by the percentage each source is of total funds, for fiscal years 1977 through 1980. The FY 1980 figures are requested budget amounts, not approved at the time.

TABLE 3-A

SOURCE OF FUNDS BY FISCAL YEAR,  
KENTUCKY BUREAU FOR THE BLIND  
FY 1977-FY 1980

Source of Funds	FY 1977	FY 1978	FY 1979	FY 1980 <sup>a</sup>
General Fund	\$ 437,400	\$ 484,050	\$ 739,700	\$ 915,100 <sup>b</sup>
Agency Receipts	682,700	817,002	930,057	860,000
Federal Funds	1,389,300	1,609,291	2,057,854	1,949,975
TOTAL	\$2,509,400	\$2,920,343	\$3,692,611	\$3,725,075

SOURCE: Kentucky Bureau for the Blind.

<sup>a</sup> Figures represent budget request amounts.

<sup>b</sup> Includes special appropriation of \$159,100 for salary improvement.

TABLE 3-B

SOURCE OF FUNDS AS A PERCENTAGE OF TOTAL,  
KENTUCKY BUREAU FOR THE BLIND,  
FY 1977-FY 1980

Source of Funds	FY 1977	FY 1978	FY 1979	FY 1980 <sup>a</sup>
General Fund	17.4	16.9	20.0	24.6
Agency Receipts	27.2	28.0	25.4	23.1
Federal Funds	55.4	55.1	55.7	52.3
 TOTAL	 100.0	 100.0	 100.0	 100.0

SOURCE: Kentucky Bureau for the Blind.

<sup>a</sup> Figures represent budget request amounts.

From FY 1977 to FY 1980, the Bureau's budget increased by \$1,215,673 (48.4 percent), mainly due to a general fund appropriation increase of \$477,700 (109.2 percent). The percentage of the Bureau's budget coming from general fund appropriations increased from 17.4 percent in FY 1977 to 24.6 percent in FY 1980.

Agency receipts, while increasing by \$177,300 over the period, have decreased from 27.2 percent of the budget in 1977 to 23.1 percent in 1980. Federal funds, while increasing by \$560,675, have decreased by 3.1 percent in the Bureau's budget.

There are three sources of federal funds: Section 110 of the 1973 Rehabilitation Act funds (which constitute about 80 percent of all federal funds to the agency); Supplemental Security Income (SSI) funds (3.6 percent); and Social Security Disability Insurance (SSDI) money (16.4 percent). All SSI and SSDI money is to be used for direct client services; Section 110 funds may be used for overhead, personnel benefits and other expenditures. The Office of the Secretary of the Education and the Arts Cabinet, which receives all federal funds for rehabilitation services, allocates such funds to BRS and BFB. The Kentucky Bureau for the Blind received, in FY 1979, 9.3 percent of the Section 110 funds allocated for rehabilitation services in Kentucky, well below the national average of 14.1 percent, and the average of 18.2 percent of the U.S. Department of Health, Education and Welfare (HEW) Region IV states with separate state agencies for the blind.

The distribution of these funds is determined by the Secretary, subject to negotiation and agreement between the agencies involved. However, Bureau for the Blind officials claim that they were not involved in any meaningful negotiations. Appendix D provides a detailed comparison of the states' allocations of federal funds, both in the nation and in the HEW Region IV.

### Recommendation

The allocation of Section 110 funds to the Bureau for the Blind and the Bureau for

Rehabilitation Services should result from negotiations between the two bureaus, with the Secretary of the Education and the Arts Cabinet making the final decisions.

Table 4 provides a breakdown of Bureau expenditures by the following categories, in dollars and in annual percentages:

1. *Personnel benefits*: salaries, fringe benefits, training, insurance.
2. *Administrative expenditures*: postage, telephone, printing and advertisement, office supplies, office equipment, insurance, cleaning, miscellaneous, copy machine rental, utilities.
3. *Travel*: in-state, out-of-state, carpool, and travel by non-state employees.
4. *Equipment and vehicle maintenance*: machinery, implements, instruments, motor fuels, rental.
5. Rental of buildings.
6. Vocational rehabilitation.
7. Capital outlay.

TABLE 4

EXPENDITURES BY CATEGORY, DOLLARS AND PERCENTAGE OF TOTAL,  
KENTUCKY BUREAU FOR THE BLIND,  
FY 1977-FY 1980<sup>a</sup>

Expenditure Category	FY 1977	FY 1978	FY 1979	FY 1980
Personnel	\$ 961,376 51.3 %	\$1,044,630 43.2 %	\$1,115,474 38.6 %	\$1,469,992 50.9 %
Administrative Overhead	\$ 116,190 6.2 %	\$ 120,906 5.0 %	\$ 109,814 3.8 %	\$ 109,744 3.8 %
Travel	\$ 52,473 2.8 %	\$ 55,617 2.8 %	\$ 83,805 2.9 %	\$ 75,088 2.6 %
Equipment/Vehicles	\$ 67,465 3.6 %	\$ 65,289 2.7 %	\$ 46,237 1.6 %	\$ 72,200 2.5 %
Rental of Buildings	\$ 63,717 3.4 %	\$ 113,652 4.7 %	\$ 164,720 5.7 %	\$ 135,136 4.7 %
Vocational Rehabilitation	\$ 607,185 32.4 %	\$ 979,340 40.5 %	\$1,300,423 45.0 %	\$1,013,688 35.1 %
Capital Outlay	\$ 5,622 .3 %	\$ 38,690 1.6 %	\$ 69,356 2.4 %	\$ 11,552 .4 %
TOTAL	\$1,874,028 100.0 %	\$2,418,124 100.0 %	\$2,889,829 100.0 %	\$2,888,000 100.0 %

SOURCE: The Kentucky Executive Budget, FY 1978-FY 1980.

<sup>a</sup> Excludes KIB.

The 1980 General Assembly approved a budget of \$3,740,900 for FY 1981 and \$3,902,500 for FY 1982; the FY 1980 budget was \$3,725,075. The Bureau's request for a capital construction appropriation of \$2,184,000 for the 1980-1982 fiscal biennium was not ap-

proved. The capital construction funds were requested to construct a 33,600-square-foot building for classroom, office and warehouse space at Kentucky Industries for the Blind on Brownsboro Road in Louisville. This building would have allowed the consolidation of the Louisville field services office, the Louisville BEP office, the Rehabilitation Center for the Blind, the Jobs for the Blind Program and KIB at one location.

### **Administrative Costs**

Administrative costs were a major issue even before the Bureau was established. Proponents of a separate Bureau had repeatedly maintained that providing equivalent services could require no additional state funds. No fiscal analysis was performed prior to the enactment of H.B. 437; however, it became apparent almost immediately after passage that the language of H.B. 437 would necessitate additional funding. This section presents three different analyses of the administrative cost issue, and a comparison of such expenditures with those of other states.

#### **Citizens Advisory Committee Analysis**

By Executive Order 76-585, Governor Carroll established a Citizens Advisory Committee to study the implementation of KRS 163.450 to 163.470 (H.B. 437). The committee, which was chaired by the Secretary of the Education and the Arts Cabinet, submitted its report to the Governor in November, 1976. The executive order also reassigned services to the blind to the Bureau for Rehabilitation Services (BRS), pending the committee's report (Appendix C). The major conclusions reached by the committee were:

1. H.B. 437 will incur costs over and above the funds allocated in the Executive Budget at the time for blind services.
2. The legislature evidently passed H.B. 437 on the basis of assurance that no state funds over and above the funds allocated in the Executive Budget for services for the blind at the time would be required.
3. The establishment of an independent agency for the blind and visually impaired will not entitle the state to federal rehabilitation funds beyond existing levels.
4. H.B. 437 expands the role of blind services to permit services other than rehabilitation activities.

The report further asserted that "it would be a costly mistake to start a program for the blind and visually impaired under H.B. 437 as it now reads." This conclusion was based in part on an estimate of \$351,082 in duplicative costs identified in the study. The committee identified twenty-seven positions that would have to be created to provide services and functions previously provided by BRS. In FY 1979, twenty-three of these positions had been filled, at an annual cost of \$256,098 (Table 5).

TABLE 5

PROJECTED DUPLICATIVE PERSONNEL COSTS AND POSITIONS VERSUS  
ACTUAL COSTS INCURRED AND POSITIONS FILLED  
FY 1979  
KENTUCKY BUREAU FOR THE BLIND

Division	Advisory Committee Projection		Actual Positions Filled and Their Costs	
	Duplicative Costs	Duplicative Positions (Number)	Costs	Positions
Central Office	\$209,514	19	\$150,720	13
Field Services	47,368	4	27,777	4
Technical Services	(new)	—	—	—
BEP	41,592	4	22,319	2
Rehab. Center	26,304	2	29,963	2
Employ. Service	26,304	2	25,319	2
KIB	None	—	—	—
TOTAL	\$351,082	27	\$256,098	23

SOURCE: Report to the Citizens Advisory Committee on the Bureau for the Blind to Governor Julian M. Carroll, November, 1976; the Bureau for the Blind; and the Kentucky Department of Personnel, 1979 Position Control Run.

### Legislative Research Commission Analysis

The staff of the LRC Budget Review Committee performed, for the present study, the following analysis of the Bureau's administrative costs. They estimate that the Bureau for the Blind spent approximately \$78,000 more for administrative costs in fiscal year 1979 than was spent for administrative costs in fiscal year 1976 when it was the Division for Blind Services under the Bureau for Rehabilitation Services in the Department of Education. This estimate is based on an operational definition of administrative costs used by the Federal Rehabilitation Services Administration and includes adjustment for normal cost increases over the two-year period.

According to the Program Regulation Guide to State Rehabilitation Agencies,<sup>1</sup> "administration" is described as including:

Program planning, development, evaluation, and control; research; interpretation of the program to the public; personnel administration of affirmative action plans; use of advisory committees; the removal of architectural barriers in state agency offices and facilities; and training and staff development, including educational leave, for state agency personnel. It includes, of course, the development and maintenance of adequate accounting, budgeting, financial management, and statistical systems. It also includes the cost of any related data processing.

For accounting purposes both the Bureau for the Blind and the Bureau for Rehabilitation Services assign costs to applicable budget unit numbers based on this definition of administrative costs. Since the federal definition was not fully implemented until recently, adjustments were made to include only those items which fit the definition.

This definition includes all employees whose administrative duties relate to the entire program. The definition broadly includes everyone in the central office as administrative; however, adjustments were made to limit personnel and operating costs to the specific categories in the definition above.

During fiscal year 1979 the Bureau for the Blind charged \$210,865 to its administrative budget unit, according to the final Expenditure Analysis Report for FY 1979, published on August 31, 1979, by the Kentucky Department of Finance. Of that amount, \$135,857 was charged for personnel costs to cover fifteen positions: executive director, secretary and receptionist, unit director for field services, secretary and two recordkeeping clerks, finance officer, accountant, clerk/stenographer and typist, program supervisor and secretary, ombudsman, and auditor.

Operating costs charged to the budget unit during FY 1979 totaled \$75,008; however, some of these charges were for non-administrative costs to the Bureau. Prorated charges of \$24,605 were deducted from the total for telephone, utilities, office space, and machine rental for other than administrative use in the building.

The sum of administrative personnel costs (\$135,857) and operating costs (\$50,403) for fiscal year 1979 was \$186,260.

The administrative costs attributable to the Division for the Blind in FY 1976 were not easily identified. Estimates had to be made of the percentage of the costs of certain Bureau for Rehabilitation Services administrators which were applicable to the Division of Blind Services for that year. Although the percentages are estimates, finance officers from both the Bureau for the Blind and the Bureau for Rehabilitation Services agreed that they were fair estimates.

The total personnel (\$85,727) and operating (\$8,257) administrative costs applicable to the Blind Services for fiscal year 1976 was \$93,984. With regular 5 percent annual salary increments plus reclassifications and grade adjustments, and inflation in operating costs, a conservative yet reasonable inflation factor of 15 percent was added to the administrative costs incurred in FY 1977 to make them comparable to FY 1979 administrative costs. Thus, adjusted, estimated administrative costs for FY 1977 are  $\$93,984 \times 1.15$ : \$108,082. Additional administrative costs for FY 1979, then, were \$78,178 (\$186,260 less \$108,082).

**Eleven-Year Comparison of Administrative Costs.** Another analysis compared data on costs of services to the blind for fiscal years 1970 through 1980. During this period, services for the blind have changed in scope, philosophy and organization. State accounting systems have also changed. Such changes make comparisons rather difficult; therefore, the following data does not represent all expenditures but only those similar expenditures which could be identified over this period. It does represent, however, a reasonable picture of the trends over the period. The analysis is based on budget documents.



Table 6-A presents estimated expenditures for services for the blind for fiscal years 1970 through 1980 by budget category. Table 6-B shows each expenditure as a percentage of the total for each year. Table 7 presents inflation-adjusted expenditures. The inflation adjustments were offered to allow comparison of the expenditures in terms of constant dollars. The year 1977, which was the first year the Bureau operated independently, was used for the inflation adjustment. Figure 4 is a graphic presentation of Table 6-B.

TABLE 6-A  
ESTIMATED EXPENDITURES FOR SERVICES TO THE BLIND,  
COMMONWEALTH OF KENTUCKY,  
FY 1970-FY 1980

Expense Category	FY 70	FY 71	FY 72	FY 73	FY 74
Administration	\$ 26,232	\$ 30,438	\$ 31,619	\$ 52,568	\$ 37,821
Field Services	163,999	150,836	340,984	342,636	327,194
BEP	232,000	300,000	375,000	350,000	400,000
Rehabilitation Center	171,600	108,041	176,838	150,976	156,586
TOTAL	\$593,831	\$589,315	\$924,441	\$900,180	\$921,601

Expense Category	FY 75	FY 76 <sup>a</sup>	FY 77	FY 78	FY 79
Administration	\$ 40,805	—	\$ 112,668	\$ 203,000	\$ 213,000
Field Services	486,415	—	745,760	923,745	1,002,720
BEP	425,000	—	571,925	500,000	600,000
Rehabilitation Center	188,500	—	206,584	250,700	263,200
TOTAL	\$1,140,720	—	\$1,636,937	\$1,877,445	\$2,078,920
Total Budgeted			\$1,860,156	\$2,136,211	\$2,837,900

Expense Category	FY 80 <sup>b</sup>
Administration	\$ 219,300
Field Services	1,255,637
BEP	575,000
Rehabilitation Center	330,600
TOTAL	\$2,380,437
Total Budgeted	\$2,624,675

SOURCE: Budget documents obtained from Kentucky Bureau for the Blind and Department of Finance.

NOTE: Table excludes Kentucky Industries for the Blind.

<sup>a</sup> Not available.

<sup>b</sup> Budgeted.

TABLE 6-B

PERCENTAGE BREAKDOWN OF EXPENDITURES FOR SERVICES TO THE BLIND,  
COMMONWEALTH OF KENTUCKY,  
FY 1970-FY 1980

Expense Category	FY 70	FY 71	FY 72	FY 73	FY 74
Administration	4.4	5.2	3.4	5.8	4.1
Field Services	27.6	25.6	36.9	38.0	35.2
BEP	39.1	50.9	40.6	38.6	43.4
Rehabilitation Center	28.9	18.3	19.1	16.8	17.0
TOTAL	100.0	100.0	100.0	100.0	100.0

Expense Category	FY 75	FY 76 <sup>a</sup>	FY 77	FY 78	FY 79
Administration	3.6	—	6.9	10.8	10.2
Field Services	43.7	—	45.5	49.2	48.2
BEP	37.3	—	34.9	26.6	28.9
Rehabilitation Center	16.5	—	12.6	13.4	12.7
TOTAL	100.0	—	100.0	100.0	100.0

Expense Category	FY 80
Administration	9.2
Field Services	52.7
BEP	24.2
Rehabilitation Center	13.9
TOTAL	100.0

SOURCE: Table 6-A.

NOTE: Table excludes Kentucky Industries for the Blind.

TABLE 7  
INFLATION ADJUSTED EXPENDITURES FOR SERVICES TO THE BLIND,  
COMMONWEALTH OF KENTUCKY,  
FY 1970-FY 1980

Expense Category	FY 70	FY 71	FY 72	FY 73	FY 74
Administration	\$ 40,948	\$ 45,505	\$ 45,784	\$ 71,755	\$ 46,520
Field Services	256,002	225,500	493,745	467,699	402,448
BEP	362,152	448,500	543,000	477,750	492,000
Rehabilitation Center	267,868	161,520	256,061	206,082	192,601
TOTAL	\$926,970	\$881,026	\$1,338,591	\$1,228,746	\$1,133,569

Expense Category	FY 75	FY 76 <sup>a</sup>	FY 77	FY 78	FY 79
Administration	\$ 45,987	—	\$ 112,668	\$ 190,820	\$ 191,061
Field Services	548,190	—	745,760	868,320	899,440
BEP	478,975	—	571,925	470,000	538,200
Rehabilitation Center	212,440	—	206,584	235,658	236,090
TOTAL	\$1,285,591	—	\$1,636,937	\$1,764,798	\$1,864,791
Total Budgeted			\$1,860,156	\$2,008,038	\$2,545,614

Expense Category	FY 80 <sup>b</sup>
Administration	\$ 187,502
Field Services	1,073,570
BEP	491,625
Rehabilitation Center	282,578
TOTAL	\$2,035,274
Total Budgeted	\$2,244,097

SOURCE: Budget documents obtained from Kentucky Bureau for the Blind and Department of Finance.

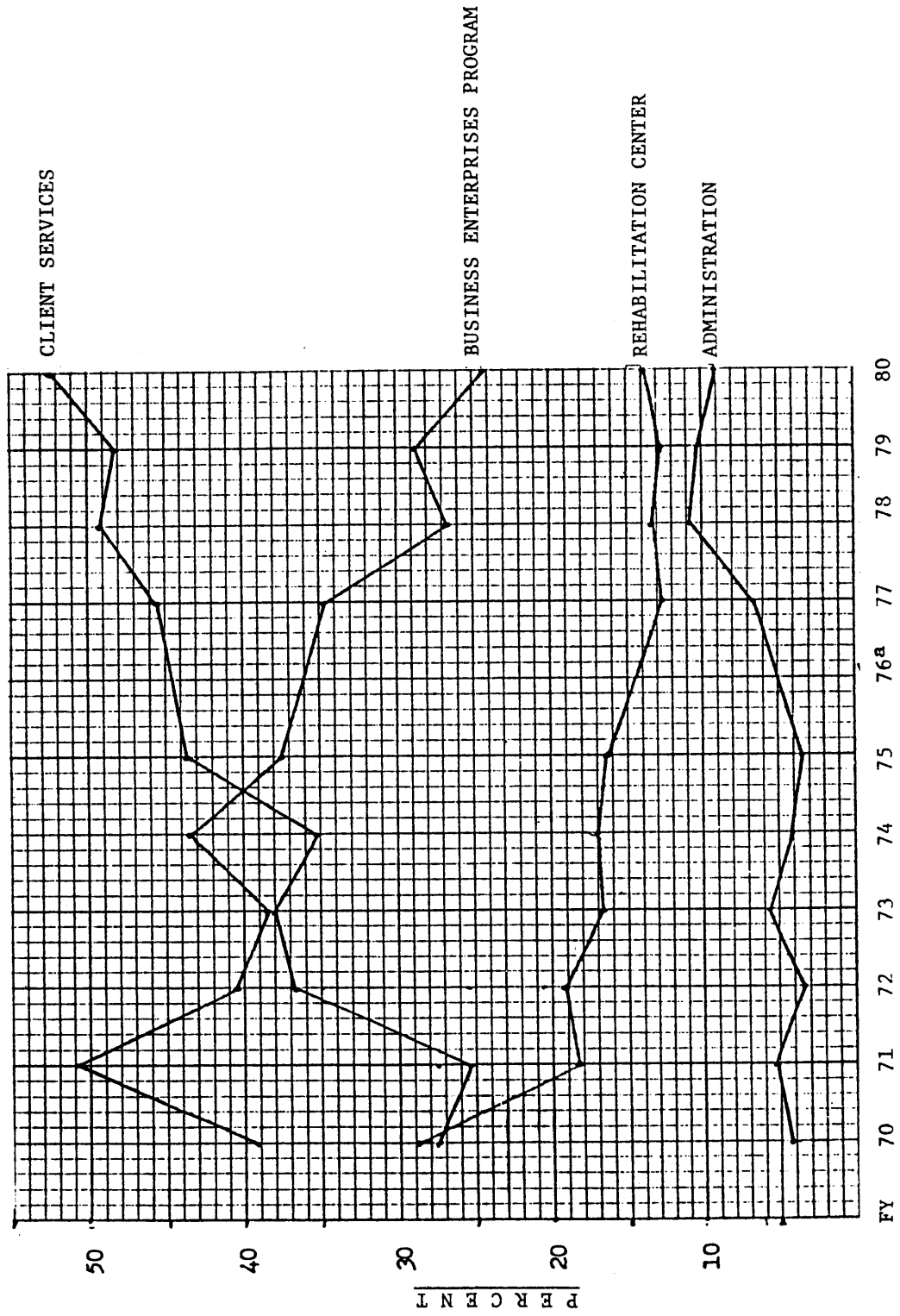
NOTE: Base year is 1977. Figures are adjusted using the U.S. Consumer Price Index.

<sup>a</sup> Not available.

<sup>b</sup> Budgeted.

FIGURE 4

PERCENTAGE SHARES OF BLIND SERVICES EXPENDITURES AND BUDGETS,  
BY PROGRAM OR ADMINISTRATIVE UNIT,  
COMMONWEALTH OF KENTUCKY,  
FY 1970-FY 1980



SOURCE: Budget Documents obtained from Kentucky Bureau for the Blind and Department of Finance.

NOTE: FY 1980 data are based on budgeted amounts, not actual expenditures .

a Data not available

The most notable increase in administrative costs for services to the blind took place in the first two years after the Bureau for the Blind (BFB) was established. In FY 1975 administrative costs were \$40,805; in FY 1977, which was the first year of the Bureau's independent operations, these costs were \$112,668; in FY 1978 they were \$203,000. These figures represent a 176 percent increase in administrative costs between FY 1975 and FY 1977 and an 80 percent increase from FY 1977 to FY 1978. Increases in administrative costs for FY 1979 and FY 1980 were comparable to increases in the total Bureau's budget for those years. The administrative costs in FY 1975 were 3.6 percent of the total costs for services to the blind. In FY 1977 such costs were 6.1 percent of the Bureau's budget; in FY 1978 the percentage was 9.5; in 1979, 7.5; and in FY 1980, 8.4. The percentage changes of administrative costs as part of the budget reflect both added positions in the newly created divisions and the costs of those administrative services which were previously provided by BRS. The latter include the costs of handling fiscal and personnel matters, program evaluation and occasional overhead expenditures, all of which have had to be included in the Bureau for the Blind budgets since FY 1977.

### **Comparison With Other States' Costs**

In the absence of objective criteria to determine whether administrative costs are too high, the federal government uses national and regional data to identify those states which depart significantly from average expenditure levels. A summary of FY 1978 Section 110 expenditures for separate state agencies for the blind compares Kentucky's agency with those of other states. Since Section 110 provides 80 percent of the Bureau's funds and most of its administrative costs, the data is useful in making such a comparison.

Among the six states with a separate agency for the blind in Federal Region IV, which includes Kentucky, an average of 10.5 percent of Section 110 funds was spent for administration during the federal fiscal year 1978. The Kentucky Bureau for the Blind spent 14.9 percent for administrative costs; only North Carolina spent a higher percentage (15.9). The other four states in the region spent under 10 percent, with Florida spending only 5.7 percent.

The national average of Section 110 administrative expenditures among the twenty-seven states with separate agencies for the blind was 9.2 percent. The State of Delaware spent 24.7 percent, while New Jersey spent only 3.4 percent. Some of these disparities, however, can be attributed to the differences which exist among programs, policies and cost allocation procedures. For example, the New Jersey Commission for the Blind employs only about 10 percent blind individuals and places a strong emphasis on home industries. Also New Jersey does not consider as administrative costs the same expenditures so classified by the Kentucky Bureau for the Blind.<sup>2</sup>

### **Conclusion**

Administrative costs of services to the blind and visually impaired have increased since the Bureau for the Blind was established. Each analysis produced different estimates of increases, mainly because of differences in definition of administrative costs. Nonetheless, it seems clear that the statutory mandate for six program divisions, plus an office of ombudsman, and a central management staff has contributed a large part of the higher administrative costs.

In the absence of standard criteria against which administrative costs can be measured, it is difficult to say whether such costs are excessive. However, some reduction is possible, especially if some of the divisions are consolidated.

## CHAPTER III

### PROGRAMS AND SERVICES OF THE BUREAU FOR THE BLIND

This chapter defines the blind and visually impaired population in Kentucky and describes and evaluates the programs and services provided by the different organizational units of the Bureau for the Blind. There are six major sections, organized as follows:

- The Blind and Visually Impaired in Kentucky
- Consultative and Client Services
- The Business Enterprises Program
- Kentucky Industries for the Blind
- The Rehabilitation Center for the Blind
- The Office of the Ombudsman

#### The Blind and Visually Impaired in Kentucky

There are no accurate data on the actual number of blind and visually impaired people in the state of Kentucky. However, their numbers can be estimated by applying national prevalence rates to the Kentucky population. Estimates vary widely, primarily because of differences in definitions of blindness and visual impairment.

#### The Blind Population

Kentucky statutes define as legally blind those individuals having visual acuity of 20/200 or less in the better eye, with correction, or those who have a visual field of 20 degrees or less [KRS 163.460(2)].

To estimate the number of people who meet these criteria, the Bureau uses the prevalence rate of the National Society for the Prevention of Blindness (NSPB). The NSPB estimates this rate to be 0.225 percent of the population. Based on 1979 Kentucky population estimates of 3,533,015,<sup>3</sup> there are 7,949 legally blind individuals in the state.

According to the Bureau for the Blind, the incidence of blindness in eastern Kentucky exceeds the national average. While this assumption generally is accepted by Bureau personnel and many others in the blind community, there are no data to substantiate this.

There are three federal criteria an individual must meet to be eligible for vocational rehabilitation services [45 CFR, Section 1361.1(h)]:

1. He or she must be handicapped as defined by state law.
2. His or her visual disability must constitute, or result in, a substantial handicap to employment.
3. There must be reasonable expectation that rehabilitation services may benefit the individual in terms of employability.

Based on a national study by Goldfish,<sup>4</sup> the Bureau for the Blind estimates that only 37 percent of the blind population meet such criteria. The 37 percent figure excludes from the

eligible group those who are not of working age or cannot be vocationally rehabilitated because of other reasons. This figure puts the target population of blind individuals for 1979 at 2,876.

The Bureau further reports that 30 percent (837) of the eligible population are employed and that another 24 percent (699) are receiving services from the Bureau but are not yet employed. Subtracting these figures from the target population leaves 1,340 (47 percent) who were neither employed nor receiving services during 1979.

### **The Visually Impaired Population**

The Kentucky Revised Statutes define as visually impaired those individuals having a visual acuity of 20/60 or less in the better eye, with correction, or a visual field limited to sixty degrees or less [KRS 163.460(3)].

To estimate the number of visually impaired persons in Kentucky, the Bureau for the Blind uses the 0.576 percent prevalence rate estimated by the National Health Institute of HEW, whose definition of visual impairment is quite similar to Kentucky's. For 1979, the estimated number of visually impaired is 20,530 persons. According to the Goldfish study only 37 percent of this group is of working age (between 18 and 65 years), making the target population of the visually impaired 7,596 persons.

Because the Kentucky statutes and the federal eligibility requirements define eligibility differently, the Bureau for the Blind estimates that about 25 percent of its clients receiving services are not eligible to receive them. By Kentucky law (KRS 164.460) eligibility is determined according to the severity of the disability rather than by the general criteria that the impairment must constitute a substantial handicap to employment. On the other hand, there are many visually impaired persons who have visual acuity beyond the minimum defined by the Kentucky Revised Statutes, but whose visual disability is a substantial handicap to employment. There are diseases of the eye which cause employment problems but do not affect acuity to the extent specified by the statutes. Likewise, many persons who have lost vision in one eye might still have better than 20/60 acuity in the better eye, and thus cannot legally be served by the Bureau. Furthermore, people who are losing their sight are not eligible for services to prepare them for their ensuing condition. The following recommendation is made to alleviate this problem.

### **Recommendation**

The General Assembly should amend KRS 164.460 to read: "Visually impaired means having a medically diagnosed condition of the eye which results in a handicap to employment for the individual."

Three bills dealing with this problem (H.B. 655, S.B. 196 and H.B. 920) failed to pass in the 1980 General Assembly.

### **Consultative and Client Services**

This section deals with three of the Bureau's divisions: Field Services, Employment Services, and Special and Technical Services, which are grouped together for budgeting purposes under "Consultative and Client Services." Unless otherwise specified or made clear from



the context, the term “blind” in the following discussion refers both to the blind and the visually impaired.

### **Division of Field Services**

*Services Available to the Blind.* In addition to the Frankfort central office this division has ten field offices and a total of fourteen counselors. Counselors can provide the following sequence of services:

1. Initial screening of referred clients.
2. Evaluation and diagnosis. Evaluation and diagnosis of clients determine their medical condition and their rehabilitation potential. These procedures establish clients' eligibility for services. The evaluations and diagnoses are performed by medical and vocational testing services, which are paid through counselors' authorization.
3. Individual rehabilitation plan. Based on the evaluation and diagnosis, and the client's own interest, counselors develop each individual's rehabilitation plan, consisting of any number of services listed in the federal regulations.
4. Adjustment and training. Clients are referred to adjustment or training centers, according to their individualized plan. The Bureau for the Blind Rehabilitation Center and Kentucky Industries for the Blind are two such centers.
5. Support during training. Counselors must stay in touch with clients during the adjustment and training period and monitor their progress.
6. Job placement. After training and with the assistance of job placement personnel, counselors assist clients in securing employment. A case is considered to be a “successful closure” only if the client maintains gainful employment for at least sixty days after placement.

The preceding sequence of services is not necessarily followed for each client. No data are available regarding how much time is spent on each of these activities.

To a great degree the success of counselors' work depends on the referral system and the availability of resources for diagnosis, testing, training and job placement in surrounding communities. Development of such community resources and referral sources is another important aspect of a counselor's work.

*Services Rendered.* The extent of services provided to the blind is evaluated in terms of the number of clients served and the cost of services. This study does not deal with the issue of the quality of services rendered since time and staff expertise were not available.

Although there were references to the issue of quality of services in the studies mentioned in the introduction of this report, nowhere in those studies was the term defined or otherwise clarified. For example, in a memorandum to the Appropriations and Revenue Committee, Mr. Vinson Straub of the LRC staff stated: “There was no evidence during the program review to indicate any improvement in the quality of services offered since the transfer from the Bureau of Rehabilitation Services.”<sup>5</sup> Although quality was discussed it was never accurately defined.

The memorandum also referred to a lack of funds for client services:

Although agency supporters had said the Bureau could function with no increase in funds, the budget request called for substantial increases in each of the two years. As it turned out later, the budget request probably reflected the condition of the agency better than all other documentation

combined. The immediately apparent problem was the relatively high costs of administration in comparison to money available for direct client services. This predicament was most evident in the general blind services program. A field staff was in place, but money for remedial services for the clients was very limited. For this reason, our subcommittee [LRC, A & R Subcommittee for Human Resources] recommended that \$150,000 in each year of the biennium in additional funds be allocated by line item for payment of direct client services authorizations. These authorizations are for payments made to third parties for remedial services to individual clients.

The memorandum further stated:

Office for Policy and Management analysts opposed creation of the bureau and held a very negative view toward their activities . . . . The agency's claim that it could provide improved services to more clients at the same cost (as formerly under the Bureau for Rehabilitation Services) was contradicted by the Bureau's own budget request.

During the years which this study analyzes, services to the blind have changed, both in their emphasis and in reporting procedures. One such change was the federal regulation requiring that more emphasis be placed on the more severely handicapped (mandated by the 1973 Vocational Rehabilitation Act). Federal guidelines define blindness as a "severe" handicap. Such emphasis would result in more extensive services to clients, which in turn could have resulted in a smaller number of clients served and in higher expenditures per case.

However, available statistical figures, while most accessible, tend to obscure many individual and local problems which might affect the number of clients served and costs of services. Moreover, statistical figures from different years do not necessarily pertain to the same organizational entities.

Services to the blind should be related to the larger context of services to the physically handicapped, of which they are an integral part. One result of the Rehabilitation Act of 1973 was a national decline in the total caseload of agencies which provide vocational rehabilitation services.

A federal caseload statistics report<sup>6</sup> shows a general decline in the number of handicapped people rehabilitated in the last four years and, at the same time, an increase in the number and percentage of rehabilitated clients among the severely disabled. The national percentage of severely disabled among clients served increased from 31.6 percent in 1974 to 47.0 percent in 1978. Changes were also reported in the percentage of the severely disabled among new cases: 48.9 percent in 1976 and 53.8 percent in 1978. The Kentucky BRS reflects this national trend and has reported a decline of about 50 percent in the number of rehabilitated individuals over the last five years (excluding the blind).

The federal report's major conclusions about these trends are that the key themes of caseload activity in fiscal year 1978 were:

- the continuing upward surge in the numbers of severely disabled, both in absolute numbers and in proportion of the total caseload (now in excess of 50 percent for most measures);

- a trend-breaking but small increase in the total number of persons rehabilitated, the first such increase in four years; and
- the continuing decline in the total number of cases available to state rehabilitation agencies.

The timing of the overall caseload decline and the increase in the severely disabled clientele is not coincidental. Total caseload levels began to decline shortly after priority services to the severely disabled were mandated in the Rehabilitation Act of 1973. That this overall decline was inevitable, given modest rises in funds allocated for the program in recent years, is seen in the fact that the severely disabled cost considerably more (approximately 50 percent) to rehabilitate than the non-severely disabled. On the average, therefore, for every two dollars expended on a non-severely disabled person to effect his or her rehabilitation, three dollars must be spent on a similarly successful severely disabled individual. This greater cost to rehabilitate the severely disabled, coming at a time of nearly level funding and inflationary trends in the economy, has made it virtually impossible for state agencies to maintain the size of their caseloads, to say nothing of increasing the caseloads. The current situation necessarily makes it incumbent upon all agencies to operate their programs in a cost-effective manner so that as many persons as possible, eligible for services, may be served.

**Number of Blind Served.** This section deals with services to legally blind clients only. Three sources of data are used: the 1975 Cresap study (cited above); data provided by the Bureau of Rehabilitation Services (BRS); and data provided by the Bureau for the Blind.

Prior to 1975, services to the blind were delivered primarily through six field offices, each serving an average of twenty counties. Since then four additional offices have been opened, reducing the average number of counties served by each office to twelve. The number of blind persons in each geographical catchment area served by the original six offices was therefore also reduced. Table 8 presents the estimated number of blind persons and the number of eligible clients in each area. The estimates are based on the Cresap study and data provided by the Bureau for the Blind. Both sources applied the 0.225 percent prevalence rate to the size of the population in counties served by each office. The number of eligible persons is 37 percent of the blind population in each area.

When the Bureau for the Blind was established in 1976, BRS transferred all blind clients' active files (447 cases) to the new bureau. These clients were in various phases of rehabilitation. Federal regulations identify sixteen different service phases between initial contact with the agency and case termination. This study considers only the twelve active phases. The other four phases concern clients who have made only initial contact with the agency or have been terminated for reasons other than successful job placement. In addition to the 447 active cases, the BRS also transferred 281 cases, both blind and visually impaired, who had made initial contact with the agency but had not yet become active clients.

The number of cases transferred to the BFB is the initial caseload of the Bureau and also reflects the last BRS caseload in FY 1976. A BRS computer run for FY 1975 shows that during that year they served 505 blind clients.

TABLE 8

ESTIMATED BLIND ELIGIBLE POPULATION BY SERVICE AREA  
1974 AND 1976

SERVICE AREA	1974				1976			
	Total Population a	No. of Blind c	No. of Eligible Blind d	Percent of Total	Total Population b	No. of Blind c	No. of Eligible Blind d	Percent of Total
Ashland	325,340	733	271	10.1	226,269	509	188	6.6
Covington	331,709	745	276	10.3	320,843	721	267	9.4
Hazard	289,851	653	242	9.0	198,462	446	165	5.8
Lexington	545,158	1,223	452	16.9	475,242	1,069	596	13.9
Louisville	1,172,835	2,640	977	36.4	982,425	2,210	818	28.7
Owensboro	554,418	1,248	462	17.2	260,221	585	216	7.6
Bowling Green e					304,788	686	254	8.9
Corbin e					222,537	501	183	6.5
Paducah e					219,672	494	182	6.4
Somersett e					214,588	483	179	6.2
TOTAL	3,219,311	7,242	2,680	100.	3,427,800	7,712	2,853	100.

SOURCE: Cresap et. al. study, 1975, and the Kentucky Bureau for the Blind.

NOTE: Figures may not add because of rounding.

a 1974 population data base.

b 1976 population data base.

c Calculated at .225 percent of population.

d Calculated at 37 percent of blind population.

e Office opened after 1974.

Table 9 compares the number of blind clients served by BRS in FY 1974 and FY 1975 with the number of clients served by the BFB in FY's 1977, 1978, and 1979. The FY 1974 data are based on the Cresap study, which was performed under contract with the BRS. That study fails to mention its source of data and BRS officials cannot verify it or find supportive documentation. Nor can the data be verified by studying case files, because a case file is disposed of five years after it has been closed.

Table 9 shows that in FY 1979 the BFB caseload was 699 clients, an increase of 252 over its initial 447 (56.4 percent). Because the number of blind persons in each catchment area changed after the opening of four new field offices, Table 10 presents the number of clients served as a percentage of the eligible population in each catchment area in fiscal years 1974, 1977, 1978 and 1979.

TABLE 9  
NUMBER OF BLIND SERVED BY FIELD OFFICE  
FY 1974, FY 1975, FY 1977, FY 1978, FY 1979

FIELD OFFICE	FISCAL YEAR				
	1974	1975 <sup>b</sup>	1977	1978	1979
Ashland	109		51	61	73
Covington	24		42	50	46
Hazard	49		52	62	94
Lexington	140		64	77	113
Louisville	187		106	128	122
Owensboro	53		36	43	70
Bowling Green <sup>a</sup>			43	52	60
Corbin <sup>a</sup>			35	42	41
Paducah <sup>a</sup>			35	42	46
Somerset <sup>a</sup>			27	32	34
TOTAL	562	505	491	589	699

SOURCE: Cresap et al. Report, 1975, and Kentucky Bureau of Rehabilitation Services, and Kentucky Bureau for the Blind.

NOTE: Data for FY 1976 was not available.

<sup>a</sup> Office opened since 1974.

<sup>b</sup> Breakdown by field office not available.

In FY 1974 the BRS served 21.0 percent of the eligible blind population. In FY 1979 the BFB served 23.9 percent of this population, an increase of 24.4 percent (137 clients).

Table 10 shows changes in the percentage of eligible clients served by each field office. These percentages, however, can be misleading, since population shifts and changes in catchment area size can make an office appear to do better, or worse, than it is doing.

TABLE 10  
PERCENTAGE OF BLIND SERVED  
OUT OF ELIGIBLE POPULATION  
FY 1974, FY 1977, FY 1978 and FY 1979

FIELD OFFICE	FISCAL YEAR			
	1974	1977	1978	1979
Ashland	40.2	27.7	31.8	37.6
Covington	8.7	16.1	18.4	16.7
Hazard	20.2	32.1	36.9	55.3
Lexington	31.0	16.5	19.1	28.3
Louisville	19.1	13.2	15.4	14.5
Owensboro	11.5	17.0	19.5	31.4
Bowling Green <sup>a</sup>		17.3	20.2	23.0
Corbin <sup>a</sup>		19.3	22.3	21.6
Paducah <sup>a</sup>		19.6	22.6	24.5
Somerset <sup>a</sup>		15.6	17.6	18.5
TOTAL	21.0	17.6	20.3	23.9

SOURCE: Cresap et al. Report, 1975, and Kentucky Bureau for the Blind.

<sup>a</sup> Office opened after 1974.

**Number of Visually Impaired Served.** Federal guidelines requiring a shift in emphasis toward serving the severely handicapped make comparisons of data on the visually impaired from different years less reliable. Available data are not broken down for blind and visually impaired clients for the period when services were provided by the BRS. In order to make comparisons, it is assumed that the percentage of visually impaired persons served by BRS was at the same level as that of the blind population. While not providing accurate figures, estimates based on this assumption are used for comparison with later years for which more accurate data are available.

Table 11 presents the estimated number of visually impaired individuals and the number of eligible persons in the geographical areas served by each field office. Estimates were made by applying the prevalence rate of 0.576 percent to the population in each area. The number of eligible clients was calculated by using the 37 percent figure discussed in the section dealing with the blind and visually impaired population.

TABLE 11  
ESTIMATED TARGET POPULATION OF VISUALLY IMPAIRED  
BY SERVICE AREA, 1974 and 1976

Service Area	1974			1976		
	No. of <sup>b</sup> Visually Impaired	No. of <sup>c</sup> Eligibles	% of Total	No. of Visually Impaired	No. of Eligibles	% of Total
Ashland	1,874	693	10.1	1,303	482	6.6
Covington	1,911	707	10.3	1,848	684	9.4
Hazard	1,670	617	9.0	1,143	423	5.8
Lexington	3,140	1,162	16.9	2,737	1,013	13.9
Louisville	6,755	2,499	36.4	5,659	2,094	28.7
Owensboro	3,193	1,181	17.2	1,499	555	7.6
Bowling Green				1,755	649	8.9
Corbin				1,281	474	6.5
Paducah				1,265	468	6.4
Somerset				1,236	457	6.2
TOTAL	18,543	6,859	100.0	19,726	7,299	100.0

SOURCE: Cresap et al. Report, 1975, and the Kentucky Bureau for the Blind.

<sup>a</sup> Office opened after 1974.

<sup>b</sup> Calculated as .576 percent of population.

<sup>c</sup> Calculated as 37 percent of visually impaired population.

The BFB's initial caseload of the visually impaired was based on 914 active cases transferred from BRS in 1976. In addition, there was an undetermined number of visually impaired among the 281 cases who had made their initial contact with the agency and were not yet active clients. This figure also represents the last caseload of visually impaired served by BRS. A BRS 1975 computer report shows a total of 1,160 visually impaired served during that fiscal year. Similar reports from previous years were not available.

Table 12 presents the number of visually impaired clients served in fiscal years 1974, 1978 and 1979. The 1974 data is estimated under the assumption that the percentage of visually impaired served was the same as the percentage of blind persons served. Data for FY 1977 was not available.

Table 13 compares services to the visually impaired in terms of the percentage of those served out of the total number of eligible population.

The Bureau for the Blind built its caseload of visually impaired clients from the original 914 cases transferred to 1,202 in 1978 and to 1,231 in 1979. Table 13 shows that these figures represent 16.0 percent and 16.4 percent, respectively, of eligibles served in those two years.

Data from individual offices again indicate that the Hazard office had the highest performance percentage (38.1) and the Louisville office had the lowest (10.1).

TABLE 12  
NUMBER OF VISUALLY IMPAIRED SERVED  
BY FIELD OFFICE  
FY 1974, FY 1978 and FY 1979<sup>a</sup>

FIELD OFFICE	FISCAL YEAR		
	1974	1978	1979
Ashland	279	123	130
Covington	62	101	81
Hazard	125	127	166
Lexington	360	155	201
Louisville	477	259	217
Owensboro	136	88	125
Bowling Green <sup>b</sup>		105	97
Corbin <sup>b</sup>		85	73
Paducah <sup>b</sup>		94	82
Somerset <sup>b</sup>		65	59
TOTAL	1,574	1,202	1,231

SOURCE: Cresap et al. Report, 1975, and Kentucky Bureau for the Blind.

<sup>a</sup> Data for 1976 is not available.

<sup>b</sup> Office opened after 1974.

TABLE 13  
PERCENTAGE OF VISUALLY IMPAIRED SERVED  
OUT OF ELIGIBLE POPULATION  
FY 1974, FY 1978 and FY 1979

FIELD OFFICE	FISCAL YEAR		
	1974	1978	1979
Ashland	40.3	24.7	26.2
Covington	8.8	14.3	11.5
Hazard	20.3	29.1	38.1
Lexington	31.0	14.9	19.3
Louisville	19.1	12.0	10.1
Owensboro	11.5	15.1	21.9
Bowling Green <sup>a</sup>		15.7	14.5
Corbin <sup>a</sup>		17.4	15.0
Paducah <sup>a</sup>		19.5	17.0
Somerset <sup>a</sup>		13.8	12.5
TOTAL	22.9	16.0	16.4

SOURCE: Cresap et al. Report, 1975, and Kentucky Bureau for the Blind.

<sup>a</sup> Office opened after 1974.



**Data Reliability and Meaningfulness.** Any comparison of services rendered to the blind and visually impaired suffers a lack of reliable data from the period when services were delivered by the BRS. In both categories of clients the BFB increased its caseload from 447 blind in 1976 to 699 in 1979 (56.4 percent increase), and from 914 visually impaired cases to 1,231 in FY 1979 (34.7 percent increase).

This means the combined total of 1,361 cases in FY 1976 increased to a caseload of 1,930 in 1979 (41.8 percent increase). This increase resulted in part from the opening of four additional field offices and hiring six more counselors. The performance level of individual field offices did not, in fact, show much improvement; on the contrary, the percentage rates of three of the original six offices dropped. These percentages increases or decreases are misleading, however. To better identify its impact on the blind population, the Bureau should state and track its objectives in terms of percentage of population served rather than by number of clients.

**Cost of Services.** Costs of services can serve, in part, as an indicator of the extent and intensity of services rendered. Costs of clients' services are those costs which were paid for services provided by a third party or by one of the Bureau's programs. The costs discussed in this section do not include counselors' salaries or administrative overhead.

Data in Table 14 present the amount of money spent by each field office for direct client services, based on the Bureau's data and the 1975 Cresap report. Expenditures are actual dollars spent, current and adjusted for inflation. No differentiation between money spent for the blind and visually impaired could be made. Only data for FY 1974, FY 1978 and FY 1979 were available. The 1977 consumer price index was selected for the inflation adjustment because it was the first year for the Bureau's independent operation.

TABLE 14  
EXPENDITURES FOR DIRECT CLIENT SERVICES,  
ACTUAL AND ADJUSTED,  
FY 1974, FY 1978 and FY 1979

SERVICE AREA	FY 1974 Actual	FY 1974 Adjusted	FY 1978 Actual	FY 1978 Adjusted	FY 1979 Actual	FY 1979 Adjusted
Ashland	\$ 60,417	\$ 68,090	\$ 52,081	\$ 48,956	\$ 63,067	\$ 56,571
Covington	43,066	48,535	50,739	47,695	47,871	42,940
Hazard	42,966	48,423	23,768	22,342	33,331	29,898
Lexington	73,500	82,834	76,556	71,963	195,904	175,726
Louisville	85,808	96,706	191,175	179,705	159,775	143,318
Owensboro	43,066	48,535	25,015	23,514	54,200	48,617
Bowling Green <sup>a</sup>			61,146	57,477	65,959	59,165
Corbin <sup>a</sup>			36,250	34,075	39,457	35,393
Paducah <sup>a</sup>			33,361	31,359	49,075	44,020
Somerset <sup>a</sup>			22,836	21,466	43,012	38,502
<b>TOTAL</b>	<b>\$348,823</b>	<b>\$393,123</b>	<b>\$572,927</b>	<b>\$538,552</b>	<b>\$751,651</b>	<b>\$674,150</b>

SOURCE: Cresap, et al. Report, 1975, and the Kentucky Bureau for the Blind.

NOTE: Figures are adjusted for inflation based upon the 1977 U.S. Consumer Price Index.

<sup>a</sup> Office opened after FY 1974.

Between FY 1974 and FY 1979 expenditures for client services rose by \$402,828, reflecting an increase in purchasing power of \$281,027 (adjusted to 1977 dollars). In other words, an expenditure increase of 115.4 percent resulted in only a 71.4 percent increase in 1977 dollars. During the same period the number of clients also increased by about 70 percent.

Costs of services per client are presented in Table 15. From FY 1974 to FY 1979 expenditures per client increased by \$260 (201.6 percent). The purchasing power in adjusted dollars increased by \$200 (137.9 percent).

TABLE 15  
ACTUAL AND ADJUSTED PER CLIENT EXPENDITURES  
FOR DIRECT SERVICES,  
FY 1974, FY 1978 and FY 1979

SERVICE AREA	FY 1974 Per Client	FY 1974 Adjusted	FY 1978 Per Client	FY 1978 Adjusted	FY 1979 Per Client	FY 1979 Adjusted
Ashland	\$117	\$132	\$283	\$266	\$311	\$279
Covington	388	437	336	316	377	338
Hazard	168	189	126	118	128	115
Lexington	110	124	310	291	624	560
Louisville	97	109	493	463	471	422
Owensboro	171	193	191	180	278	249
Bowling Green <sup>a</sup>			389	365	420	377
Corbin <sup>a</sup>			285	268	346	310
Paducah <sup>a</sup>			245	230	383	344
Somerset <sup>a</sup>			235	221	462	414
Average	\$129	\$145	\$320	\$301	\$389	\$345

SOURCE: Cresap, et al. Report, 1975, and the Kentucky Bureau for the Blind.

NOTE: Figures are adjusted for inflation based upon the 1977 U.S. Consumer Price Index.

<sup>a</sup> Office opened after FY 1974.

There are great differences in expenditures per client among the different offices. In FY 1979 the Lexington office spent \$624 per client, and the Louisville and Somerset offices each spent over \$400 per client. The Hazard office spent only \$128 per client in the same year. There is no evidence that those differences result from serving more severe, expensive cases in the Louisville and Lexington offices. They may indicate that Hazard does not have enough community resources to serve the blind and that services in the larger cities are more expensive. However, the answers to these questions are beyond the range of this study.

The Bureau for the Blind should examine the per client expenditure pattern in its field offices to identify reasons for such a wide range in cost of services. The Bureau also should carefully review those cases which require expensive services and put limits on the amounts counselors may authorize per client.

### Recommendation

The Bureau for the Blind should set an acceptable limit for expenditures per client in each geographical area. Cases which require more intensive services should be reviewed by program supervisors. No payments over the set limit should be approved without such a review.

**Case Closures.** The federal criterion for successful case closure is securing gainful employment for a client for a period of sixty days or more. Closure data for fiscal years 1978 and 1979 are presented in Table 16. Comparative data for other years were not available.

TABLE 16  
NUMBER OF PEOPLE PLACED IN GAINFUL EMPLOYMENT  
FOR OVER SIXTY DAYS,  
KENTUCKY BUREAU FOR THE BLIND,  
FY 1978 and FY 1979

SERVICE AREA	FY 1978	FY 1979
Ashland	6	19
Covington	18	22
Hazard	15	22
Lexington	33	63
Louisville	81	53
Owensboro	1	20
Bowling Green	37	39
Corbin	6	26
Paducah	9	11
Somerset	20	21
TOTAL	226	296

SOURCE: Kentucky Bureau for the Blind.

The BRS reported that in FY 1975 it had 452 case closures (100 blind and 352 visually impaired). These figures, however, cannot be meaningfully compared with the 226 cases closed in FY 1978, and the 296 closed in FY 1979, because until 1976 services to the visually impaired included the provision of eyeglasses. Many cases could be closed after eyeglasses had been provided, which resulted in a higher number of closed cases. Such cases were not distinguished from those closed cases which had had much more intensive services.

**Client Satisfaction.** The Bureau's office of the ombudsman is required by federal regulation to conduct a periodic survey of client satisfaction. Results of the FY 1978 survey are provided in Table 17. The validity of this data, however, is questionable, since only twelve people out of the twenty-eight randomly selected from 226 closed cases responded to the Bureau's questionnaire.

TABLE 17  
KENTUCKY BUREAU FOR THE BLIND SURVEY  
OF CLIENT SATISFACTION  
FY 1978

Question	Percent of Clients Responding to Each Question	Percent of Clients Responding Favorably To The Question
Are you satisfied with your overall experience with the Bureau for the Blind?	100 %	84 %
Are you satisfied with the specific services listed below?		
1. Counselor Willingness	100 %	84 %
2. Counselor Promptness	100 %	67 %
3. Physical Restoration	58 %	58 %
4. Needed aids and appliances	83 %	80 %
5. Job Training or Schooling	100 %	100 %
6. Assistance in finding a job	58 %	43 %
7. Were services useful in home-making chores?	66 %	25 %
8. Did you find the services from the Bureau for the Blind useful in job performance in your present job?	66 %	50 %

SOURCE: Kentucky Bureau for the Blind, Survey of Client Satisfaction, FY 1978.

NOTE: Twenty-eight (10 percent) of clients were randomly selected to respond; twelve completed the questionnaire.

**Comparison With Bureaus of Other States.** Data from the Health, Education and Welfare Federal Region IV office in Atlanta was used to compare services of the Kentucky Bureau for the Blind with services provided in other states having a separate agency for the blind. This comparison considers:

- Length of time rehabilitated clients receive services.
- Length of time rehabilitated clients spent in training.
- Expenditures per rehabilitated client.

These indicators can point out differences in the intensity and efficiency of services provided among the different states. Such differences can also result, of course, from differences in management and control procedures. The federal data do not deal with possible reasons for differences among the states.

Data for FY 1978 are presented in Table 18. Data from other years are not available. Among the six states in Table 18 Kentucky ranks third in length of services (28 months), it provides the longest training period (25.8 months), and finally, it has the second lowest cost per rehabilitated client (\$1,563). The complete comparative data are presented in Appendix E.

TABLE 18  
SERVICES PROVIDED TO THE BLIND BY STATES  
WITH SEPARATE AGENCIES FOR THE BLIND,  
FEDERAL REGION IV,  
FY 1978

State	Length of Service (Months)	Time In Training (Months)	Total Cost Of Services for Closed Cases	No. Of Cases Closed	Cost Per Case
Kentucky	28.0	25.8	\$ 354,800	227	\$1,563
Florida	23.6	17.7	1,164,650	578	2,015
Mississippi	21.7	9.7	887,150	469	1,892
N. Carolina	28.9	15.8	1,956,450	998	1,960
S. Carolina	23.3	15.1	461,200	344	1,341
Tennessee	57.0	11.9	448,650	246	1,824

SOURCE: U.S. Department of Health, Education and Welfare, Rehabilitation Services Administration, Washington, D.C.

### Conclusions

The numerous deficiencies in data make it difficult to come to definite answers regarding the issues raised. The following conclusions concerning the Division of Field Services are offered, however.

- Number of clients served. In FY 1979 the Bureau served 252 more blind and 317 more visually impaired individuals than comprised the initial caseload transferred from the BRS. The increase in total number of clients served in the three-year period was 569. This increase results mainly from the opening of four new field offices and the hiring of more counselors.

- Percentage of clients served. In FY 1979 the BFB served 23.9 percent of the eligible blind population and 16.4 percent of the eligible visually impaired. In FY 1974 those percentages were 21.0 for the blind and 22.9 for the visually impaired. The 1974 data, which is based on a 1975 study, cannot be verified at this time.

- Increased expenditures for services. The BFB spent \$359,207 more in FY 1979 than BRS spent in FY 1975. In 1977 inflation-adjusted dollars, \$325,461 more, or \$260 more per client served (\$200 in 1977 dollars). Expenditures per client increased by 201.6 percent (or by 137.9 percent inflation-adjusted purchasing power). Expenditures of the Division of Field Services have increased both in dollar amounts and in their percentage share of the Bureau's budget (Tables 6A, 6B, 7, and Figure 4). Money spent for direct client services also increased from \$348,770 in FY 1974 to \$751,651 in FY 1979 (Table 14). At the same time, however, the percentage share of expenditures for direct client services has declined from 37.8 percent in FY 1974 to 26.8 and 26.5 percent of the Bureau's budget in FY 1978 and FY 1979, respectively.

- Serving the more severe cases. The only data available that can support conclusions that the more severe cases are being served is the sharp increase in per client expenditures.

- Comparison among states. The FY 1978 comparing agencies in Federal Region IV states having separate blind services show that the Bureau provides services for a longer time period with lower expenditures per rehabilitated case.

- Comparison with general rehabilitation services. The Bureau for the Blind increased its caseload over a period when there was a national and state decline in caseloads of general rehabilitation clients.

### **Recommendations**

1. The Bureau should have an effective supervision system for field offices. The Bureau should also set a performance level for each of its field offices and should strengthen those offices which do not attain those levels.

2. The Bureau should evaluate its operational plan to determine if more clients can be served through existing offices or whether new field offices are needed.

### **Division of Employment Services**

Employees of the Bureau's Division of Employment Services are responsible for identifying potential jobs for blind persons, negotiating with and convincing potential employers to hire blind individuals, and working with Bureau counselors in client placement.

Prior to FY 1979 employees of this division were actually responsible for placement. Because the Bureau was not satisfied with the results, however, the emphasis was changed from placement to job development. According to Bureau officials, similar changes have taken place in other states. Activities of this division reported for FY 1979 were:

- Two workshops for the Bureau's counselors.
- One hundred six contacts to assist government agencies and private industries in affirmative action planning for developing and identifying specific jobs for the blind and visually impaired.
- Three public conferences and workshops. These included representatives from state government, Jefferson County government, General Electric, and the Jefferson County Board of Education.
- Placement of seven clients through the Comprehensive Employment and Training Act (CETA).
- Institution of a cooperative agreement between the Bureau and the AFL-CIO Handicapped Employment program.
- Assistance to counselors in placing twenty-six clients.

It was frequently observed in interviews with counselors and bureau officials that there is a lack of coordination between client counselors and employment services workers. This deficiency has sometimes resulted in jobs being found with no qualified clients to fill them or clients being trained for jobs which were not available. While responsibility for direct placement can be placed upon the counselors, they need the services of placement specialists, who can help locate jobs and negotiate with prospective employers.

While the functions of this division are important, performance is disappointing. Poor performance seems to result mainly from social barriers to hiring the blind and from the separation of counselors and placement specialists into two divisions.

## **Recommendations**

1. The Bureau for the Blind should recommend abolition of the Division of Employment Services and the transfer of its personnel and functions to the Division of Field Services.
2. The Director of Field Services should assume responsibilities for job development and coordinate such activities through local Division of Field Services counselors. The director's office should also coordinate the identification and development of new employment opportunities for the blind and visually impaired.
3. Primary job development responsibilities within communities should be transferred to the counselors, with assistance and coordination from central office and program supervisors.

Successful job placement is the ultimate goal of vocational rehabilitation. A person is not considered to be rehabilitated unless he is placed in gainful employment. Many employers are hesitant to hire the blind, not being sure whether the blind can handle the jobs. Others are reluctant because of the uneasiness some people feel working with the blind. In addition, unemployment is currently high, even for sighted individuals. The problem will not be solved without affirmative action to hire the blind.

Kentucky state government, for example, with a work force of over thirty-five thousand, employs less than twenty blind individuals outside the Bureau. There are many positions within state government that could be filled by the blind. The Bureau's own affirmative policy to hire blind persons provides many blind people with the only place in which they can apply for a job and not have their handicap regarded as a barrier.

Successful rehabilitation of the blind cannot be achieved without commitment and active cooperation of state government and society at large. The Bureau reports that only 30 percent of working age blind people are actually employed, a great percentage of whom are employed by various programs of the Bureau for the Blind.

## **Division of Technical Services**

The Division of Technical Services to the Blind (STS) was one of the newly created functions resulting from KRS 163.470(13) to assist the blind via the application of technical aids and new technologies. The division, which employs eleven individuals, has three major functions:

1. Research and development: to develop and adapt new and existing technologies for use by blind people, and to solve specific problems the blind have in coping in their homes or at work.
2. To purchase and distribute technical devices and aids to the blind.
3. To distribute record players (Talking Books Machines) and record texts to blind college students.

The Division of Technical Services has developed a national reputation in applying existing technologies to needs of the blind. New products have been developed which help the blind and visually impaired with mobility, handling printed matter, and expanding job opportunities. Many of the devices adapted for practical use by this division have resulted from inquiries made by blind employees or their employers. For example, a request from a physician who recently lost his vision resulted in development of a series of medically oriented aids. These

aids give audio signals instead of, or in addition to, visual reading. An evaluation of this division is difficult because no records are maintained about such inquiries and their disposition.

One weakness of the present program is that response to such demand, which does not necessarily consider potential use of products, tends to benefit limited numbers of clients at high expense. The division has offered for the present study no criteria by which development decisions are made. An engineer employed by the Bureau is doing the research, development and adaptation, while most of the ideas for applications come from Mr. Tim Cranmer, the division director.

Among electronic devices first developed for the blind by the STS Division are:

- The talking form typewriter, which enables blind or visually impaired individuals to fill out forms at work.
- The talking telephone directory, enabling blind telephone operators to find telephone listings.
- Aids to blind and visually impaired in broadcasting, which have opened a new area of career opportunities.
- Various medical and household aids.

Many of the devices developed or purchased by this division are tested by its staff and selected clients before becoming widely available.

The Division of Technical Services also purchases technical aids for distribution among blind clients. It maintains a stock of most commonly used items so that the blind can get them quickly. This service provides the only source in Kentucky for many technical aids to the blind. Many of the items are available only through catalogs and suppliers to which the blind do not have easy access. Such merchandise includes braille watches, kitchen items, braille note pads, self-threading needles, folding canes, light probes, and cassette recorders. The program maintains an inventory of about one hundred fifty different items, with a present value of over \$38,000. When a counselor authorizes purchase of a device for a client he gets it free. About \$49,700 worth of such aids were authorized in FY 1978. Individuals who are not eligible for services may purchase devices from the Bureau. In FY 1978 such sales totaled about \$2,770.

The division's major thrust is toward modification of working procedures and equipment used by the blind and developing special training procedures and aids. There is little available evidence upon which to evaluate the division's impact in placing individuals in gainful employment. The technical devices the division has developed seem to have limited impact, because of their high cost and small demand, especially the expensive and the highly technological devices.

In spite of the questions raised the division has an impressive list of accomplishments in providing the blind community with important research and development services. There are few other organizations which provide similar services. Placing such divisions within a small governmental bureau, however, poses limitations on growth potential and on the ability to produce and sell products. At present the division has to operate within the confines of state budget and is limited in its potential to secure additional funds and contracts from federal and private sources. It also has difficulty in producing and selling its products on a broad scale. Affiliation with a university or a non-profit organization might remove some of those limitations.

If a non-profit organization were established to provide technical research and development services to the blind community, the division personnel presently providing those



services could be transferred to it. Such an organization could also become the basis for a research and development center affiliated with a state university. Maintaining these services in the Commonwealth should be a priority, however. To ensure the success of such an organization it should have an initial guarantee of state funds and matching federal dollars for its first five years, at least.

### **Recommendations**

1. The research and development function should be moved out of the Bureau and established as a non-profit enterprise which will conduct those and other functions. Such an organization would be able to receive funds from public and private sources without the restrictions of state budgeting. This organization should also be able to produce or contract to produce its own products.

2. The state should provide an initial guarantee that the organization will be funded, at least at the present level of the Division of Technical Services.

3. Pursuant to the adoption of the previous recommendations, the technical aids unit should become part of the Division of Field Services.

**Talking Books Program.** The Talking Books Machines (TBM) Unit is another component of the Division of Technical Services. This unit distributes record players to blind, visually impaired and other handicapped clients. Nearly all its funds come from the Library of Congress, which also provides the machines and their replacement parts. There are about 5,000 TBMs used in Kentucky by clients of all age groups. The state pays only for two employees, their office space and tools. In FY 1978 about 1,000 machines were repaired and 707 were distributed.

To be eligible for talking books machine services, a person must be legally blind, visually impaired, physically handicapped, shut-in, or elderly. TBMs are an important service for the blind and visually impaired because most prefer audio library materials over books printed in braille.

In addition to the TBMs, the Library of Congress provides cassette tape players and the recorded material to be used with these cassette players or the TBMs. The recorded material consists of regular library books, excluding textbooks, prepared for use by the blind and other physically handicapped. All items besides the Talking Books Machines are distributed by the Kentucky Library for the Blind and Physically Handicapped in the Office of the State Librarian.

The Division of Special and Technical Services (STS) has two recording units, one at the University of Kentucky and the other at the Owensboro Public Library. At these locations volunteers record textbooks that are not available elsewhere. Recorded library materials and TBMs are divided between two agencies, creating unnecessary confusion. Both the Cresap and the LRC studies recommended that all library services to the blind be consolidated within one agency. This solution is also supported by the Library of Congress.

Mr. K. Aenninger, Assistant for Network Support of the Library of Congress, emphasizes that providing the TBM is not a vocational rehabilitation service. He makes the following points in support of consolidation:

1. Having two agencies located in the same city, one distributing phonograph

machines (TBMs) and the other cassette machines, braille, and recorded books, would undoubtedly cause confusion among readers since they would have more than one agency to contact for repair or exchange of equipment and general library services.

2. Records of equipment distributed and assigned would be located in two separate offices. This would hinder efforts to keep total inventory control of all equipment and accessories assigned to Kentucky.

3. It is likely that each agency would have its own application form, requesting different kinds of information. Again, reader confusion would result.

4. Books should be sent simultaneously with equipment assigned. This would not be possible with two separate agencies, one of which is not a library, without constant telephone communication.<sup>7</sup>

Recorded books and equipment, regardless of format, should be made available to the reader through one agency. Officials of the Bureau support these arguments for consolidation of services. There is, however, disagreement as to where services should be located. The Bureau asserts that it should have responsibility for the TBM and the distribution of reading material.

The Kentucky Library for the Blind and the Physically Handicapped serves about 510 patrons who are also clients of the Bureau. This number is only about 15 percent of the library's total clientele. There are over 4,000 individuals who have received their TBMs from the Bureau who are not eligible blind vocational-rehabilitation clients. They include other physically handicapped persons, as well as those blind people not eligible or not otherwise being served by the Bureau.

### **Recommendations**

1. The responsibility for the TBMs, their distribution and all related activities should be transferred to the State Library for the Blind and Physically Handicapped.

2. The function of recording textbooks should also be transferred to the State Library for the Blind and Physically Handicapped.

These recommendations are based primarily on the fact that the TBM is a library service rather than a rehabilitation service.

### **The Business Enterprises Program**

The Kentucky Business Enterprises Program (BEP) is operated by the Bureau's Division of Business Enterprises. The discussion of the BEP is organized into eight major sections:

- Description
- Legal Background
- Current Problems
- Fiscal Analysis
- Business Proceeds and Set Aside Funds
- Vendors' Income
- Equipment Ownership and Maintenance
- General Conclusions and Recommendations

The Business Enterprises Program of the Bureau for the Blind is mainly a program for training and establishing vending facilities for blind rehabilitation clients. These facilities are primarily on public property but some are located in private businesses. The program gives ongoing assistance to blind vendors by providing free repair and replacement of vending machines and by aiding in merchandise display and management techniques. Program staff have responsibilities for finding new vending locations, collecting set aside funds, mediating vendor problems and overseeing vendor compliance with health standards and customer services. The program absorbs all costs of establishing and stocking the original vending locations. The BEP retains ownership of the vending facilities, while the clients receive all income from sales.

The Kentucky BEP has 52 management units which employ 76 legally blind vendors. Several of the units have more than one stand. In FY 1979 the vendors had a reported gross income of \$4,717,182. The vendors returned \$134,815 in set aside funds (10 percent of reported net) to the BEP to help maintain the program. These funds were initially set aside to aid in the establishment of new stands, maintenance of present stands and as matching funds. As demonstrated in the financial section of this chapter the set aside funds pay only a small portion of the ongoing costs of services to presently existing facilities. Therefore, public funds are used for all new stand costs and for a portion of the costs of services to existing stands.

In addition to free training and complete financial backing for facility establishment, vendors receive other assistance. Most do not pay rent or utilities; they do not pay Kentucky sales tax; they do not pay license fees; nor do they have to pay for repair or replacement of vending machines. The BEP presently maintains 869 machines statewide.

The BEP is funded primarily through federal rehabilitation funds for the handicapped, although no federal funds are specifically earmarked for it. Vendor training expenses are paid by field service funds (4 to 1, federal-state matching funds). The FY 1979 BEP budget was \$575,000, of which \$10,000 was from the general fund, \$125,000 from BFB agency receipts from vendor set aside funds, and \$440,000 from general federal rehabilitation funds.

### **Legal Background**

The BEP resulted from the Randolph-Sheppard Act of 1936, as amended in 1974 by P.L. 93-516. Federal regulations promulgated for its implementation were issued in March 1977 (45 CFR § 1369).

The Act mandated that the states' blind service agencies establish vending facilities on federal property where possible. The Kentucky program has also established vending facilities on state and private properties.

Section 202 of P.L. 93-516 states that the intent of the Act is:

. . . providing blind persons with remunerative employment, enlarging the economic opportunity of the blind and stimulating the blind to greater effort in striving to make themselves self-supporting.

The Kentucky Revised Statutes [KRS 163.470(14)] authorized the Bureau for the Blind, through the Division for Business Enterprises, to operate vending facilities and other small businesses. The Kentucky program, like programs in many other states, consists primarily of vending facilities. The Business Enterprises Program differs from other rehabilitation pro-

grams in its present form in that it may be regarded as a state administered and subsidized business enterprise.

Federal regulations allow a state flexibility in selecting the type of facility ownership: they may be owned by their operators, by a state agency, or by a third party, or an organization approved by the state. Kentucky statutes do not restrict type of ownership and therefore provide the Bureau with several options: the BFB may own, lease, manage, supervise or operate such facilities.

In addition to providing services to existing facilities, the Division of Business Enterprises has the following functions:

1. Developing employment opportunities for blind individuals.
2. Assisting blind operators in managing their facilities to achieve a gainful and satisfying career.
3. Presenting the program to organizations and potential customers to expand the program, and negotiate terms for new locations.
4. Training potential operators.
5. Expanding the program by investing set aside and public funds in new locations.
6. Administering the program in a cost-effective manner.

### **Current Problems**

Four major issues concern the BEP. These have arisen in Kentucky and other states as well where there are BEPs:

1. To what degree are vending facilities profitable businesses which enable blind individuals to become self-supporting?
2. If in fact the vending facilities provide reasonable income to their operators, should public support continue? At what level?
3. If not all the vending facilities provide reasonable incomes to their operators, can they become more profitable? What can be done to achieve this goal?
4. Relations between the facility operators and the state agency are unclear or ambiguous. What kind of control should the agency exercise over vendors? What accountability should be required from operators?

The successes of the BEP are significant. Few public rehabilitation programs have a record of establishing handicapped people in gainful employment at about \$10,000 per year to start, and with an average income close to \$16,000 (FY 1979). While a few vendors still collect Social Security and thus prefer to have smaller incomes from their facilities, there are many vendors who not only support themselves and their families but also pay federal, state and local income taxes.

Two issues relating to the program but beyond the scope of this study are:

1. The BEP program presently has little room to expand. Most public facilities in Kentucky now have a vending stand operated either as a BEP stand or by a private commercial enterprise. Federal law grants preference to blind vendors in federal facilities. Bureau officials feel that state law should be changed to grant similar preference for all state facilities. The full impact of such a change, considering the interests of all concerned, should be studied before such legislation is considered.

2. Blind vendors in the BEP are exempt from sales taxes. This exemption was granted by an administrative decision of the Department of Revenue. It was based on the rationale that the exemption would offset money that vendors pay into the program. In view of the considerable incomes earned by some BEP operators, however, the issue arises whether continued exemption is justified.

### **Fiscal Analysis**

Because of difficulties in acquiring data from previous years, this analysis is based on data from 1979, which is the most complete. Current program costs and projections of future fiscal obligations are the main focus of this section.

The following analysis is based on FY 1979 monthly reports submitted by the vendors to the Bureau, and on other data provided by the Bureau. Since all the reports had not been submitted at the time, data are extrapolated to give a picture for the entire year. Because such reports are the only method presently used to keep track of the vending facilities operations, timely and accurate reports are essential.

### **Recommendation**

The Division of Business Enterprises should enforce timely and accurate monthly reports.

The following sections use the economic terms "capital investment," "variable costs," and "business proceeds." Given that the BEP is a subsidized rehabilitation program for the blind with self-support as its goal, the application of equivalent economic terms cannot be taken in the strictest sense. However, their use will allow better understanding. The meaning of such terms in this report is defined in the context of the discussion.

**Capital Investment.** Capital investment is considered as the cost of equipment and setting up the facility. The initial inventory of merchandise, which is also provided by the Bureau, is not part of this investment.

Table 19 identifies the capital investment at each location. The figures are based on 1979 market value of machines, not their depreciated value.

The first column of the table identifies the management units (i.e., the individual vending entities) by randomly assigned numbers. These numbers are used throughout this chapter. Several of the 52 management units operate more than one stand within the same location. There are 76 vendors, 36 of whom are in a single-person facility; 20 in two-person facilities; 15 in three-person facilities; and 5 in one facility.

The third column shows the number of vending machines in each facility. There is a total of 869 machines in the program, with approximately seventeen (16.7) machines per facility. The number of machines per stand ranges from zero (two stands) to 53 (one stand).

The last column presents the vending machines' replacement value at 1979 market costs.

Figures are based on an average cost of a machine times the number of machines in each facility. An additional \$10,000 is added for such expenditures as location preparation, furniture, plumbing, electrical works, and other similar costs connected with establishing a vending stand. The total replacement value is \$1,726,560, an average of \$33,203 per facility, excluding costs of initial inventory and training.

TABLE 19  
CAPITAL INVESTMENT IN STANDS, NUMBER OF VENDORS,  
AND NUMBER OF MACHINES IN EACH  
BUSINESS ENTERPRISES PROGRAM,  
FY 1979

STAND	NUMBER OF VENDORS	NUMBER OF MACHINES	CAPITAL INVESTMENT
1	1	12	19,070
2	1	14	22,250
3	2	21	33,370
4	1	28	44,490
5	1	9	24,300
6	1	13	30,660
7	1	16	25,420
8	1	19	30,190
9	2	20	31,780
10	1	32	50,850
11	1	17	37,010
12	1	11	27,480
13	2	12	29,070
14	1	25	49,730
15	1	12	19,070
16	1	16	25,420
17	2	38	70,380
18	2	20	41,780
19	3	18	38,600
20	2	12	29,070
21	3	35	65,620
22	1	7	21,120
23	1	12	29,070
24	1	6	19,530
25	1	7	21,120
26	3	27	52,900
27	1	9	24,300
28	1	28	54,490
29	2	10	25,890
30	2	21	43,670
31	5	42	91,740
32	3	6	19,500
33	1	18	38,600
34	1	0	10,000
35	1	0	10,000
36	1	14	32,250
37	1	2	13,180
38	1	1	11,590
39	2	6	19,530
40	1	17	27,010
41	1	33	52,940
42	1	23	36,550
43	1	22	34,960
44	1	4	6,360
45	1	11	17,480
46	1	10	25,830
47	1	5	17,950
48	1	20	31,780
49	3	53	84,220
50	2	30	47,670
51	1	19	40,190
52	1	6	19,530
TOTAL	76	869	\$1,726,560

SOURCE: Kentucky Bureau for the Blind.

**Variable costs.** Variable costs are those which are incurred in day-to-day operation of the facilities. These are, to a large degree, for services provided by the Division of Business Enterprises. These costs, prior to 1980, included free machine repair service, replacement of equipment, and such general business and management services as consultation, program bookkeeping, in-service training, licensing and general supervision. Table 20 presents the costs per stand for such services.

The first column of Table 20 lists the stands according to their randomly assigned identification numbers. Repair cost per stand, in column four, is estimated by dividing total reported repair expenditures of \$75,494 by 3,200, which is the number of all repair orders. The average estimated cost of a single repair service is \$23.45. The fifth column presents the estimated value of management services provided to each stand. These are the prorated costs for program overhead and management services. Such services are provided free, so costs are not directly charged to any of the facilities.

Expenditures for management services are not incurred directly by stands but are calculated to represent the value of services and overhead expenditures of the program. If no changes in BEP personnel or budget occur, management expenditures per facility are expected to decrease with the opening of new stands.

In FY 1979 overall expenditures were \$624,174. The non-management expenditures for initial stock, training, repair, in-service training, new equipment and replacement of equipment were \$448,241. The difference of \$175,933 is the management and overhead costs. This sum was prorated to each facility in proportion to the percentage of its share in the program's total capital investment. For example, a stand whose capital investment is worth 5 percent of the program total was assigned 5 percent of the management expenditures.

Current replacement values of the vending machines, presented in Table 20, are based on an average useful life. Bureau technicians estimate that machines have to be replaced every five years; thus, 1979 replacement value is one-fifth of the machine's cost (Table 19). The total FY 1979 replacement value was \$281,312, an average of \$323 per machine. Replacement values, while not necessarily actual expenditures, represent in part future fiscal obligations. These obligations are discussed further under **Equipment Replacement**.

The last column of Table 20 presents the total cost of all services to stands. This is the sum of the three previous columns. Total cost of services for FY 1979 is \$523,739, or an average of \$10,244 per stand.

TABLE 20

VALUE OF SERVICES PROVIDED TO VENDING FACILITIES  
BY THE BUSINESS ENTERPRISES PROGRAM  
FY 1979

STAND	NUMBER OF REPAIR ORDERS	AVERAGE REPAIRS PER MACHINE	REPAIR COST	COST OF MANAGEMENT SERVICES	ANNUAL REPLACEMENT VALUE (MACH. ONLY)	TOTAL VALUE OF SERVICES
1	9	.75	\$ 211	\$ 1,940	\$ 3,814	\$ 5,965
2	43	3.0	1,008	2,257	4,450	7,715
3	125	5.9	2,931	3,404	6,674	13,009
4	125	4.5	2,931	4,533	8,898	16,362
5	2	.22	46	2,469	4,860	7,375
6	8	.61	187	3,122	6,132	9,441
7	35	2.18	820	2,593	5,084	8,497
8	61	3.21	1,430	3,069	6,038	10,537
9	126	6.30	2,954	3,254	6,356	12,564
10	24	.75	562	5,186	10,170	15,918
11	41	2.41	961	3,774	5,402	10,137
12	30	2.72	703	2,804	3,496	7,003
13	42	3.50	984	2,963	3,814	7,761
14	94	3.76	2,204	5,080	7,946	15,230
15	47	3.91	1,102	1,940	3,814	6,856
16	16	1.00	375	2,593	5,084	8,052
17	223	5.86	5,229	7,179	12,076	24,484
18	41	2.05	961	4,268	6,356	11,585
19	63	3.50	1,477	3,933	5,720	11,130
20	69	5.75	1,618	2,963	3,814	8,395
21	166	4.74	3,892	6,703	11,124	21,719
22	4	.57	93	2,152	2,225	4,470
23	12	1.00	281	2,963	3,814	7,058
24	2	.33	46	1,993	1,906	3,945
25	3	.42	70	2,152	2,224	4,446
26	83	3.07	1,946	5,397	8,580	15,923
27	37	4.11	867	2,469	2,860	6,196
28	56	2.00	1,313	5,556	8,998	15,867
29	33	3.30	774	2,646	3,178	6,598
30	85	4.04	1,993	4,428	6,673	13,094
31	203	4.83	4,760	9,367	13,348	27,475
32	26	4.33	610	1,993	1,907	4,510
33	71	3.94	1,665	3,934	5,720	11,319
34	--	----	-----	1,005	-----	1,005
35	--	----	-----	1,005	-----	1,005
36	36	2.57	844	3,281	4,450	8,575
37	4	2.00	94	1,341	636	2,071
38	-	----	-----	1,182	318	1,500
39	13	2.16	305	1,993	2,906	5,204
40	67	3.94	1,571	2,751	5,402	9,724
41	66	2.00	1,548	5,345	10,488	17,381
42	138	6.00	3,236	3,722	7,310	14,268
43	56	2.54	1,313	3,563	6,992	11,868
44	41	10.25	961	635	1,272	2,868
45	4	.36	94	1,781	3,496	5,371
46	39	3.90	914	2,646	3,178	6,738
47	7	1.40	164	1,816	1,590	3,570
48	60	3.00	1,407	3,245	6,356	11,008
49	467	8.81	10,951	8,591	16,884	36,426
50	138	4.60	3,236	4,869	9,534	17,639
51	74	3.89	1,735	4,092	6,038	11,865
52	5	.83	117	1,993	1,907	4,017
TOTAL	3,220	3.70	\$75,494	\$175,933	\$281,312	\$532,739

SOURCE: Kentucky Bureau for the Blind.



**Repair costs.** While the number of repairs performed at each stand is directly related to the number of machines, poor maintenance results in a higher repair rate per machine. The average annual number of repairs per machine was 3.7; nineteen facilities had higher than average repairs per machine. Table 21 presents the ten facilities with the highest number. These ten facilities, which account for nearly 30 percent of the program investment, incurred 52.6 percent of the program's repair expenditures.

TABLE 21  
TEN VENDING FACILITIES WITH HIGHEST NUMBER  
OF REPAIRS PER MACHINE AND COST OF REPAIRS  
FY 1979

STAND	NUMBER OF REPAIRS	NUMBER OF MACHINES	AVERAGE REPAIRS PER MACHINE	COST OF REPAIRS
44	41	4	10.25	\$ 961
49	467	53	8.81	10,951
42	138	23	6.00	3,236
3	125	21	5.90	2,931
17	223	38	5.86	5,229
20	69	12	5.75	1,618
31	203	42	4.83	4,760
21	166	35	4.74	3,892
50	138	30	4.60	3,236
4	125	28	4.50	2,931
TOTAL	1,695	286	5.92	\$39,745

SOURCE: Kentucky Bureau for the Blind.

The practice of providing free machine repair services can result in higher repair orders and poor maintenance practices. Some BEP technicians have indicated that some of the repair orders were unnecessary. No data to support this claim were presented, but it is likely that the number of repair orders, both necessary and unnecessary, would have been smaller had the operators had to pay for these repairs.

During FY 1979, and in previous years, repair services were supported by federal matching funds. As a result of federal policy determination, this practice ceased as of January, 1980. Repairs now must be paid for by state funds or by agency receipts. Because federal money may still be used for equipment replacement, it may be expected that demands for replacement will increase. Total repair costs for FY 1979 were \$75,494.

### Recommendations

1. The Division of Business Enterprises Programs (DBEP) should review the repair records of each of the facilities and take corrective action where poor maintenance is resulting in high repair rates.
2. The DBEP should keep a log of machine repairs to identify types of machines and individual machines which have high repair rates. Such machines should be phased out of the program through a reasonable timetable.

**Equipment Replacement.** Replacement of equipment represents the single largest obligation of the BEP. The replacement value estimate in Table 20 is based on the commitment the program has to replace every machine when it cannot be maintained economically. The figure of \$281,312 in Table 20 does not represent, however, the actual amount of money spent in FY 1979 for this purpose. Decisions to replace depend on dates of purchase, condition of the machines and on how extensively they are being used. The annual replacement value is based on a five-year useful life period as estimated by BEP technical staff. It is important here to emphasize replacement value rather than depreciated value. It is assumed that about one-fifth of the machines must be replaced each year.

During FY 1979 only \$158,116 worth of machines were replaced, less than the expected one-fifth. The difference of \$123,196, while not spent in FY 1979, is carried as a hidden fiscal obligation to future years. In FY 1980, when another one-fifth of the machines are expected to need replacement, it will be in addition to those that were not replaced in FY 1979. With the machine inventory growing older, it is expected that the replacement rate will exceed one-fifth in the near future. The carried forward obligations will therefore be higher because of expected higher market costs in the year when replacement takes place. This variable is not taken into account by the program budget.

This growing commitment represents a serious threat to the viability of the program. Within the last two years, replacement costs have more than doubled, from \$78,334 in FY 1977 to \$158,110 in FY 1979, a period when the program itself did not grow much. This rate and the associated expenses are bound to accelerate as machines become older. Because of state ownership, machine depreciation costs cannot be used as recognized business expenses for income tax purposes.

The five-year estimated useful life for vending machines used by the BEP may be too short. In telephone interviews, four private vending companies indicated that the average life of machines may be as long as ten or even fifteen years. The IRS allows private companies to depreciate their vending machines according to an eight-year schedule.

Based on a five-year depreciation period, the annual replacement value would be \$281,312. An eight-year depreciation schedule would reduce this figure to \$179,545 per year. The average annual replacement value of a single machine is \$135, or \$199 on an eight-year schedule. A stand with the average number of machines (seventeen) has an annual replacement value, or cost, of \$5,355.

Federal regulations restricting the use of federal funds to purchase new machines also contribute to high replacement costs. Less expensive reconditioned machines can therefore only be purchased with agency receipts or general fund money.

Vending machines are expensive to buy and maintain. With the present system of free repair service, free machine replacement, and a lack of incentives for proper care and maintenance of equipment, the BEP will encounter increasing financial difficulty. The Bureau for the Blind should make genuine efforts to reduce the number of vending machines in the BEP.

At the same time, more over-the-counter sales should be emphasized. Even though over-the-counter sales make blind operators more vulnerable to theft, it is likely to be a cost-

effective trade-off. Theft has not been much of a problem in the past, seemingly because of heavy use of vending machines.

### **Recommendations**

1. The Bureau for the Blind should use an eight-year depreciation period for vending machines and seek to prevent early replacement of machines.
2. The Bureau should de-emphasize the use of vending machines and reduce their number. The Bureau should consider placing more emphasis on over-the-counter sales.
3. The Bureau should analyze its machine inventory to identify those that can be eliminated from the program.
4. The Bureau should, wherever possible, purchase reconditioned machines rather than new ones for existing facilities.

**Cost of Service to the Stands.** As shown in Table 20, the estimated total value of services to the fifty-two facilities in the program was \$532,739, or 92.7 percent of the program's budget in 1979. The remainder, in the opinion of Bureau management, is far short of the funds needed for meaningful expansion of this program.

Set aside funds are matched by federal funds on the basis of four dollars of federal money to one dollar in state money. Before January, 1980, machine repair costs paid by the Bureau were a shared federal and state expense. However, because of federal policy determination, repair costs now have to be borne by the state. This means that repair costs are now subtracted from set aside funds, causing a corresponding reduction in matching funds from the federal government. Reduced revenues must therefore be covered by an increase in general fund appropriations or a transfer of funds from another program.

### **Business Proceeds and Set Aside Funds**

Table 22 presents sales, cost of merchandise and set aside payments of vending facilities for FY 1979. Gross sales were \$4,717,182, an average of \$90,175 per stand. Seventeen of the fifty-two facilities grossed above the average. The range of gross sales was from a low of \$7,913 to a high of \$329,713. Subtracting this figure from gross sales yields total net sales of \$1,393,018. This may or may not reflect other expenditures, such as rental, utilities or janitorial services.

The cost of merchandise bought for resale totals \$3,324,164. This amount includes initial stocks bought by the Bureau and added inventory purchased by the vendors. Therefore, not all of this amount can be considered as program assets.

Ten percent of net sales are paid into the set aside fund. Total set aside payments for FY 1979 were \$134,815, which is 9.7 percent of the net. While most facilities paid close to the 10 percent required, some did pay a smaller percentage. If all stands had paid the full 10 percent in set aside funds the BEP would have received an additional \$3,348 in FY 1979.

The lower 25 percent of facilities account for only 6.9 percent of sales, while the upper 25 percent generated 57.9 percent. These figures demonstrate great differences in the business potential of vending facilities. Only seventeen facilities, or 32.7 percent, grossed above average receipts. Facilities with low business volume should be evaluated to determine reasons for their apparent poor performance. Management assistance to increase their business volume may be necessary.

TABLE 22

BUSINESS PROCEEDS, COST OF MERCHANDISE AND  
SET ASIDE PAYMENTS OF VENDING FACILITIES  
FY 1979

<u>STAND</u>	<u>GROSS SALES</u>	<u>COST OF MERCHANDISE</u>	<u>NET SALES</u>	<u>SET ASIDE</u>	<u>SET ASIDE PERCENTAGE</u>
1	\$ 31,140	\$ 18,720	\$ 12,240	\$ 1,090	8.8
2	41,220	25,090	16,130	1,532	9.5
3	163,160	97,290	65,870	6,527	9.9
4	53,756	37,995	15,761	1,364	8.7
5	62,308	42,646	19,662	1,866	9.5
6	59,108	48,965	10,143	970	9.6
7	52,793	37,277	16,516	1,651	10.0
8	35,407	25,122	10,285	1,058	10.0
9	61,272	40,462	20,810	2,106	10.1
10	42,475	29,803	12,672	1,251	9.9
11	37,573	27,434	10,139	1,043	10.3
12	23,278	17,283	5,995	539	9.0
13	167,012	128,804	38,208	3,727	9.7
14	79,196	57,432	21,764	1,852	8.5
15	24,482	20,644	3,838	370	9.6
16	28,319	20,732	7,587	617	8.1
17	113,712	84,465	29,247	2,933	10.0
18	270,037	191,018	79,019	7,831	9.9
19	195,621	147,982	47,639	4,764	10.0
20	282,683	217,488	65,195	6,386	9.8
21	282,929	175,870	107,059	10,445	9.8
22	93,466	77,828	15,638	1,290	8.2
23	82,997	70,128	12,869	932	7.2
24	104,253	83,145	21,108	1,939	9.2
25	27,170	21,181	5,989	471	7.9
26	258,104	162,733	95,371	9,482	9.9
27	54,681	37,160	17,521	1,834	10.5
28	52,071	35,827	16,244	1,585	9.8
29	174,112	116,403	57,709	5,771	10.0
30	152,329	92,983	59,346	5,763	9.7
31	329,714	218,335	111,379	10,390	9.3
32	144,673	96,847	47,826	4,783	10.0
33	53,604	36,941	16,663	1,666	10.0
34	28,320	20,867	7,453	745	10.0
35	9,671	7,557	2,114	226	10.7
36	44,914	33,283	11,631	1,163	10.0
37	67,470	60,470	7,000	669	9.6
38	48,129	34,616	13,513	1,351	10.0
39	72,503	60,503	12,000	1,200	10.0
40	83,396	58,802	24,549	2,223	9.0
41	35,883	24,007	11,876	1,158	9.8
42	37,464	25,176	12,288	1,122	9.1
43	107,440	60,675	46,765	4,650	9.9
44	7,913	4,955	2,958	245	8.3
45	27,891	19,133	8,758	736	8.4
46	37,273	29,881	7,392	739	10.0
47	25,211	17,519	7,692	770	10.0
48	22,733	9,964	12,769	780	6.1
49	181,290	126,461	54,829	5,483	10.0
50	131,797	99,033	32,764	3,157	9.6
51	48,828	36,723	12,105	1,170	9.7
52	63,627	52,506	11,121	1,392	12.5
TOTAL	\$4,717,182	\$3,324,164	\$1,393,018	\$134,815	

SOURCE: Kentucky Bureau for the Blind.

**Profit Ratios.** The ratio of net income to gross sales is an indicator of profitability. The average profit ratio for the entire program is 29.2 percent. Stand number 48, with gross sales of \$22,733 and \$12,769 net profit, had a profit ratio of 56.2 percent. Stand number 37 had a ratio of only 10.4 percent.

Stands 20 and 21, with almost identical volumes of gross sales, differ significantly in their profit ratios: 23.1 and 37.8 percent, respectively. Such differences are cause for concern, since the difference in these two net incomes also reflects a \$4,059 difference in set aside payments. More importantly, if these stands both operated at the higher of the two profit ratios, stand number 20 could produce \$37,493 additional income, enough to employ another individual.

There are indications that some facilities may be more efficiently managed than others. For instance, there is a wide range in the ratios of net sales to gross sales of some stands. The program average ratio is 29.2. If the three stands with the lowest ratios, as shown in Table 23, were raised to the average, it would yield combined additional income of \$27,294. This income would be enough to support another vendor at each of the three stands with no additional costs to the program.

TABLE 23  
RATIO OF NET SALES TO GROSS SALES  
OF SELECTED VENDING FACILITIES  
FY 1979

STAND	GROSS SALES	NET SALES (Before Set Aside Payments)	RATIO
5	\$62,300	\$19,662	31.6%
6	\$59,100	\$10,143	17.2%
9	\$61,300	\$20,810	34.0%
37	\$67,500	\$ 7,000	10.4%
52	\$63,600	\$11,121	17.5%

SOURCE: Kentucky Bureau for the Blind.

Variability in profit ratios among the stands may result from poor management or inaccurate reporting. Whatever the reasons, there seems to be room for improvement. Profitability criteria should be established to identify facilities that require management assistance from the Division of Business Enterprises Programs.

**Set Aside Payments and Agency Costs.** The set aside payments are the only payments the operators make into the Business Enterprises Program. During FY 1979, such payments totaled \$134,815, which accounted for 25.3 percent of the program expenditures. The additional \$398,366 is the subsidy which the Bureau provides to existing stands. Table 24 compares the level of subsidy of each facility with its set aside payments.

TABLE 24

BUREAU SUBSIDY FOR VENDING FACILITIES AND  
PERCENTAGE OF SET ASIDE PAYMENTS TO BUREAU SUBSIDY  
FY 1979

STAND	BUREAU SUBSIDY	RATIO OF SET ASIDE TO SERVICES	STAND	BUREAU SUBSIDY	RATIO OF SET ASIDE TO SERVICES
1	\$ 4,875	18.3	27	\$ 4,335	29.7
2	6,183	19.9	28	14,282	10.0
3	6,482	50.2	29	827	87.5
4	14,998	8.3	30	7,331	44.0
5	5,509	2.5	31	17,085	37.8
6	8,471	10.3	32	-273	106.0
7	6,846	19.4	33	9,653	14.7
8	9,479	10.0	34	260	74.1
9	10,449	16.8	35	779	22.5
10	14,667	7.9	36	7,412	13.6
11	9,030	10.3	37	1,402	32.3
12	6,464	7.7	38	149	90.1
13	4,034	48.0	39	4,004	23.1
14	13,383	12.2	40	7,501	22.9
15	6,486	5.4	41	16,223	6.7
16	7,435	7.7	42	13,146	7.9
17	20,551	12.0	43	7,218	39.2
18	3,754	47.3	44	2,623	8.5
19	6,366	42.8	45	3,635	16.8
20	2,009	75.4	46	5,999	11.0
21	11,274	48.1	47	2,800	21.6
22	3,180	28.3	48	10,229	7.1
23	6,126	13.2	49	30,903	15.1
24	2,006	43.2	50	14,482	17.9
25	3,475	10.6	51	10,635	5.9
26	6,441	59.6	52	2,625	34.7
			TOTAL	\$398,366	

SOURCE: Kentucky Bureau for the Blind.

The average Bureau cost per facility is \$7,660, which is 75 percent of the average operational costs. Stand number 49 received the most support, \$30,903 more than it returned to the Business Enterprises Program in set aside payments, while stand number 32 actually paid in \$273 more to the program than it received in services. No other stand paid in more than it received. Set aside payments as a percentage of the value of BEP services received by facilities ranged from 5.4 percent (stand number 15) to 106 percent (stand number 32.)

Stands are not as profitable as some might think. Thirty-three are subsidized above the program mean and eleven are subsidized at the 90 percent level and above.

Set aside payments are based on the monthly reports prepared by the vendors. In some cases these reports are of doubtful accuracy. Since the reports are the only means of holding vendors accountable to the agency, and since so much public funding supports the stands, regular audits are important.

Program complexities and inadequate accounting methods make auditing difficult if

not impossible at the present time. The Auditor of Public Accounts has outlined the minimum records that vending facilities must keep. Mr. Robert Goodwin of the Auditor's Office wrote on January 25, 1980:

As long as the payment due to the state is based on a percent of net profit, minimum records necessary . . . are as follows:

- a record of daily sales—cash register tape or cash sales journal, etc.;
- beginning inventory at cost;
- invoices supporting purchases;
- ending inventory at cost;
- proof of any operating expenses—invoices or cancelled checks.

If payments to the state are based on gross profits, Mr. Goodwin says, minimum records required are:

- a record of daily sales—cash register tape or cash sales journal, etc.;
- an agreement of the percent that will be applied to sales to determine the cost of goods sold.

The method of determining set aside payments as a percentage of gross profit is probably preferable since it requires fewer records, but unfortunately, federal regulations prohibit use of this method. Appendix F presents the federal guidelines on set aside funds.

### **Recommendations**

1. The Bureau for the Blind should assure that facilities keep the minimum necessary records, as outlined by the Auditor of Public Accounts.

2. The Bureau should develop an ongoing, in-service training program to instruct vendors in keeping necessary records. Further, the Bureau should analyze the data on a regular basis for completeness and accuracy.

3. The Bureau should perform several unannounced audits per year on randomly selected facilities.

4. The Bureau should develop a mechanism to assure that more accurate and timely set aside payments are received from vendors.

5. The Bureau should identify a minimum level of profitability and help stands achieve that level.

6. The Bureau should develop profit criteria for individual types of machines and phase out those judged unprofitable.

7. Profit criteria should also be applied to individual machines whenever there are indications that they do not generate enough business. Such machines must be withdrawn from the program.

8. Public subsidies should be gradually withdrawn from profitable facilities. Marginal stands should be assisted to improve their profitability. Stands that cannot be made profitable should be phased out.

9. The Bureau should reduce the required set aside payments from 10 percent of net proceeds to 5 percent of net proceeds.

OR

10. The Bureau should reduce the required set aside payments from 10 percent of

net proceeds to 3 percent of net proceeds. If this alternative is chosen, the General Assembly should provide the additional \$18,000 necessary to support the BEP via a general fund appropriation.

The alternative recommendations 9 and 10 are based on the following analysis of the costs of continuing the BEP in a reduced form. Necessary and continuing management services would cost approximately \$175,933 per year in 1979 dollars. The Bureau estimates that roughly \$123,600 per year would be necessary to support program expansion at a practical level. Total continuing BEP costs would thus be about \$300,000 per year. Since federal funds are available to match state funds at the ratio of four-to-one, \$60,000 would be needed to match \$240,000 of federal funds to operate the BEP on a self-supporting basis. To obtain \$60,000 in set aside funds from 1979 net proceeds of \$1,393,018 would require a rate of 5.0 percent. Alternatively, a rate of three percent would provide \$14,790 in vendor set aside funds, leaving \$18,210 to be made up via an appropriation from the general fund.

### **Vendors' Incomes**

According to the Bureau for the Blind the best estimate of a vendor's income is obtained by multiplying the set aside payment by nine, since set aside funds are calculated as 10 percent of the net proceeds. Table 25 presents incomes of individual vendors by stand. These figures are only estimates, however, due to the method of calculation and because stand managers are being paid about 10 percent more than other persons working at the same facility. Average income is \$15,965.

Table 25 also presents the ratio of BEP expenditures to net income for each stand. These ratios represent the amount of subsidy that each stand receives. The average program subsidy is 32.4 percent; the Bureau effectively provides a subsidy of thirty-two cents for every dollar of income produced by the program. The average vendor's income of \$15,965 is subsidized by \$5,173 paid by the Bureau for the Blind.

While average income per vendor is impressive, closer analysis reveals great variance in vendors' incomes. The median income is \$12,217. Thirteen facilities provide their operators with incomes of \$16,717 or more. The lower quartile, with an average vendor income of \$5,201, costs the state a subsidy of \$4,165 per individual, or 80.1 percent. Some of these vendors are not interested in higher incomes because their Social Security payments would thereby be reduced.



TABLE 2  
VENDORS' INCOME BY STAND  
FY 1979

Stand	Vendor Income	Ratio of Agency Cost To Net Income	Stand	Vendor Income	Ratio of Agency Cost To Net Income
1	\$ 9,810	49.7%	27	\$16,506	22.3%
2	13,788	44.8%	28	14,265	20.1%
3	29,372	11.0%	29	25,970	1.6%
4	12,776	117.4%	30	25,934	14.0%
5	16,799	32.8%	31	18,702	18.3%
6	8,730	97.0%	32	14,349	(-.6)%
7	14,859	46.1%	33	14,994	64.4%
8	9,522	99.5%	34	6,705	3.9%
9	9,477	55.2%	35	2,034	38.3%
10	11,759	124.7%	36	10,467	70.8%
11	9,587	96.9%	37	6,021	23.3%
12	4,851	163.2%	38	12,159	1.2%
13	16,772	12.0%	39	5,400	37.1%
14	16,668	80.3%	40	20,007	37.5%
15	3,330	194.8%	41	10,422	155.7%
16	5,553	133.9%	42	10,098	130.2%
17	13,199	81.6%	43	41,850	17.2%
18	35,240	5.3%	44	2,205	119.0%
19	14,292	14.9%	45	6,624	54.9%
20	28,737	3.5%	46	6,651	90.2%
21	31,335	12.0%	47	6,930	40.4%
22	11,610	27.4%	48	7,020	145.7%
23	8,388	73.0%	49	16,449	62.6%
24	17,451	11.5%	50	14,206	51.0%
25	4,239	93.8%	51	10,530	101.6%
26	28,446	7.5%	52	12,528	21.0%
			Average: \$15,965 32.4%		

SOURCE: Kentucky Bureau for the Blind.

#### Equipment Ownership and Maintenance

How much financial support to give the vending facilities is closely related to the question of ownership, maintenance and replacement of the vending machines. At present, the Bureau owns all vending machines and the initial inventory provided to establish stands. Unless the Bureau relinquishes its responsibilities for machine replacement, escalating costs will severely limit BEP expansion. Machine ownership should be transferred to the vendors, and with it the responsibility for maintenance, repair and replacement. Overall cost of the Business Enterprises Program would thus be reduced substantially. The proposed transfer may be done in accordance with KRS 45.360(7), which gives the Secretary of Finance the authority to dispose of state property and the flexibility to decide how to do so in the best interests of the state.

As an alternative the machines might be leased, under a variable rent fee system, to the operators. New machines would have higher rent than older machines. Other things being equal, it would then be in the operator's financial interest to keep the machines in working

order for a longer time. This alternative, along with the operators' paying for repair services as well, would provide the incentives lacking under the present program.

### **General Conclusions and Recommendations**

The above analysis indicates some weaknesses in the Business Enterprises Program.

1. There is no audit system for monitoring vending facilities. The Auditor of Public Accounts previously determined that the vending facilities do not maintain adequate records to conduct formal audits of them. In February, 1980, the Bureau's internal auditor completed his first audit of a vending stand.

2. Agency and vendor program responsibilities are unclear. Is public support necessary or appropriate for vendors earning relatively high incomes? How much support should existing vendors provide for expansion of the BEP and for support of existing stands?

3. Rising costs to support existing facilities cut into funds for program expansion and other services.

4. Since vendors receive free repair services and replacement of equipment, the program lacks incentives for operators to adopt good management and business procedures for preventive maintenance.

The BEP should be reorganized to guarantee future viability for both existing and new vendors. Without substantial changes the program cannot afford to grow and will be an increasing financial burden upon the Bureau and the Commonwealth.

### **Recommendations**

1. The Bureau should transfer ownership of all vending machines presently employed in the BEP to the facility operators.

OR

2. The Bureau should lease the vending machines to the operators, with a variable rental fee. Such fees should decrease to a minimum as machines become older.

3. The Bureau should make the vending facility owner-operators fully responsible for equipment maintenance, repair and replacement.

4. The Bureau should take steps to assure businesslike management of vending facilities.

5. Facilities which are not profitable or cannot become profitable with technical assistance from the Bureau should be phased out.

6. There should be two distinct and separate aspects of the program, one which manages and supervises existing stands, and one which trains new vendors and sets up new facilities.

7. The detailed responsibilities of the BEP program in terms of management and supervision of existing stands should include the following:

- a. Assisting stands that are not profitable or are having management problems.
- b. Gradually withdrawing public funds from stands that meet a specified profit level.
- c. Offering repair and maintenance services to existing facilities at actual cost.
- d. Phasing out and closing facilities which do not meet profit criteria.

- e. Inspecting stands to insure compliance with licensing terms.
  - f. Performing periodic, unannounced, audits on at least three stands per year.
  - g. Developing and distributing a manual of operations and regulations for running facilities.
  - h. Conducting in-service training for vendors to familiarize them with records, accounting procedures, regulations and changes in procedures and policies.
  - i. Conducting all other management and supervision activities in accordance with federal and state laws and regulations.
  - j. Collecting set aside payments.
8. The detailed responsibilities of the BEP program with respect to program expansion should include the following:
- a. Establishing new facilities according to federal and state laws and regulations.
  - b. Finding new locations and negotiating leases and other necessary arrangements.
  - c. Enrolling and training new vending facility operators.
  - d. Providing assistance to new facilities for a specified period of time or until they become profitable.
  - e. Licensing new facilities according to federal and state health standards and regulations.

### **Kentucky Industries for the Blind**

In 1918, the Kentucky School for the Blind opened a small shop at the corner of State Street and Frankfort Avenue in Louisville. The shop sold mops handmade by blind students and employed two persons. In 1920 the Commonwealth of Kentucky contributed \$2,000 to aid this project, which, at that time was called the Kentucky Workshop for the Adult Blind. It retained this name until 1956, when it was changed to the Kentucky Industries for the Blind (KIB). The present building, at 1900 Brownsboro Road, Louisville, was constructed in 1965, when KIB was part of the Bureau for Rehabilitation Services in the State Department of Education. KIB occupies 30,000 square feet of this structure for production and offices.

KIB currently employs fifty-four hourly production workers, ranging in age from 18 to 65. Their payscale runs from \$2.96 to \$4.17 per hour. Thirty-two are full-time employees, earning an average of \$3.76 per hour. Twenty-two are permanent part-time employees, earning an average of \$3.18 per hour. The average hourly wage for all production employees is \$3.53. Workers are considered state classified (merit) employees and receive all benefits of that status. The total payroll for production workers in FY 1979 was \$321,133.

KIB lists twenty-one employees as administrative. Eight are management executives, accountants and clerical staff. The other thirteen, while listed as administrative employees, are primarily production employees, such as foremen, truck drivers and maintenance workers. Total FY 1979 salaries for these workers were \$231,511.

The total budget planned for FY 1979 was \$997,234. Actual expenditures were \$1,040,374. The difference is accounted for by income from additional KIB production and sales. KIB receives no federal funds. The state appropriation in FY 1979 was \$297,300, of which \$1,925 lapsed and was returned to the general fund. Seventy-one percent of its budget, \$742,768, was earned by KIB in subcontract work, production and resale.

The KIB measures its productivity not by amount of sales, nor by salaries paid, but by the number of hours of work that the Industry provides for blind and visually impaired individuals (approximately 97,000). But in other terms, the KIB provides seventy-two jobs and over \$587,000 in salaries and benefits to the economy of the Commonwealth, as well as fostering feelings of self-worth and economic independence among its work force.

KIB manufactures various janitorial items, including discloths, oven mitts, mops, mopheads, safety flags and broom bags. In addition, it does subcontract work for private industry, which includes packaging, assembling and inspecting various hardware and household products. About half of the subcontract work is with IBM. KIB also resells items produced in sheltered workshops at Nashville, Memphis and Milwaukee. A listing of KIB 1979 sales by source of income is presented in Table 26.

TABLE 26  
KENTUCKY INDUSTRIES FOR THE BLIND  
SALES BY SOURCE OF INCOME,  
FY 1979<sup>a</sup>

SOURCE OF INCOME	INCOME
Federal Government—Wagner-O'Day Sales <sup>b</sup>	\$ 63,725
Federal Government—Other	18,166
State Use Programs <sup>c</sup>	155,238
Subcontract Labor	237,811
All Other Product Sales	318,747
	<hr/> \$793,687

SOURCE: Kentucky Industries for the Blind.

<sup>a</sup> Federal Fiscal Year ending September 30, 1979.

<sup>b</sup> Contracts for supplies to federal agencies, which are distributed through the National Industries for the Blind. These contracts are authorized by the Javits-Wagoner-O'Day Act (P.L. 92-28).

<sup>c</sup> The Kentucky Department of Finance Management Manual encourages state agencies to purchase items or services supplied by the Industries for the Blind. Items may be purchased directly from KIB without competitive bids.

### Legislative Intent

House Bill 437, as amended, portrays KIB as a multi-service agency with responsibility for home industries, evaluation, training, placement in public employment and long-term sheltered employment.

House Bill 437, as originally written, stated in subsection 18:

There shall be established under authority of the Commission, to be directed by the executive director, a division of industries for the blind which shall provide industrial evaluation and training and home industries. Emphasis shall be on placement in public employment *rather than* long-term sheltered employment at industries for the blind. (Emphasis added.)

When the bill was amended and passed in 1976 (later codified as KRS 163.450 to .470), omitting the commission concept, this section read:

There shall be established under authority of the bureau, to be directed by the executive director, a division of industries for the blind which shall provide industrial evaluation, training, employment and home industries. Emphasis shall be on placement in public employment *and* long-term sheltered employment at industries for the blind. (Emphasis added.)

The home industry program at KIB is no longer in effect. This program was established to offer employment to homebound blind and visually impaired persons with more than one handicap. Work was delivered to the home, clients were paid for assembly and the finished product was picked up by KIB personnel and brought back to the Industry for inspection. Problems quickly developed in the program. Bookkeeping, pickup and delivery costs were high. Lack of on-site inspections led to frequent mistakes in assembly. The program proved unmanageable for unsupervised homebound workers. Although the program goal is worthwhile, its future reimplemention would depend on cost-effective solutions to these problems.

Although the BFB's Annual Report for 1979 says that "KIB provides specialized attention in work evaluation, work adjustment and the learning of specialized industrial skills," evaluation and training services are minimal. The KIB budget does not presently allow for hiring full-time evaluation and training personnel. Therefore, these services are limited to a work station on the production line. A foreman, whose primary responsibility is production, also trains and evaluates. However, foremen have limited training in, or time for, this additional function. Also, employees of KIB tend to remain employees of KIB. Few are placed in private sector industrial or commercial employment.

Current employees' average length of service is about nine years; some have been with the KIB for more than twenty years. In FY 1979, although ten Bureau clients were temporarily listed as trainees at KIB, none of these trainees was subsequently employed in outside industry. There were no outside placements of production employees in the year-and-a-half period under study, although KIB administrative staff estimates that 46 percent of the production employees are capable of commercial employment. Thus, KIB operates primarily as a long-term sheltered workshop.

Many factors have contributed to this:

- Historically, KIB managerial influence has been on operating the Industries as a production unit. They have not had the staff, the space nor the system to become a training institution.

- KIB must remain reasonably productive in order to remain 70 percent self-sufficient and deliver on contracts to outside companies and buyers. Foremen must keep the production line operating. Therefore, they are motivated to retain high production employees.

- Training at KIB only prepares clients to work at KIB. Much of the work is hand assembly (see Table 27) and much of the machinery is outdated. Nothing prepares them to work on a modern production line. Further, KIB offers no training for such non-production employment as small engine repair, woodworking or upholstery.

- Many employees do not want to leave KIB for outside employment. Many live nearby, feel secure and accepted at the Industries and like the benefits of classified state employment. When asked on an internal questionnaire if they would accept outside employment at a higher salary if it were made available to them, only 12 percent answered affirmatively. Some

TABLE 27

SUBCONTRACT SALES—KENTUCKY INDUSTRIES FOR THE BLIND  
FY 1978

Firm	Dollar Volume	Type of Work
Austin Nichols	\$ 4,907.74	Assembling glass stoppers for whiskey bottles.
Brinly-Hardy	12,274.53	Drilling and making up packages of parts.
Brown Foreman	1,039.50	Placing adhesive strip on green strip medallion.
Clark Products	7,784.08	Making packages for fast food companies.
Collectramatic, Inc.	2,298.74	Assembling electrical terminals for fryers.
C.P.S., Inc.	2,037.24	Mixing, bottling and packaging soap.
Construction Fasteners	480.31	Salvage job, taking off washers from metal screws.
Custom Packaging	34,528.00	Making up crew packages of towel and cups.
Dura Containers	333.92	Assembly of corrugated partitions.
General Electric	2,044.45	Braille washer panels.
Hillerich & Bradsby	1,816.96	Packaging bat weights.
I.B.M. Corporation	58,344.41	Assembling parts & making up packages for electric typewriters.
Logan Company	51,301.58	Drilling, tapping & assembling packages of parts.
Harley Company	11,661.78	Assembling waterproof washers on large screws.
Old Fitzgerald	81.00	Assembling glass toppers for whiskey bottles.
Packaging Service Corp.	4,892.95	Scraping urethane parts.
St. Bernard Coal Company	1,100.71	Pasting dogs on bungs.
J. V. Reed Company	9,821.14	Assembling & packaging.
Thoroughbred Tables	5,855.46	Assembling wooden TV tables.
South Central Bell	813.75	Packaging gravel.
Vilo Company	1,766.93	Packaging mirror support brackets.
VITOK Engineers	173.55	Making air refresher packages.
Western Electric	22,368.50	Cutting copper wire and crimping terminals on each end of wire.
Wimsatt Brothers	113.68	Packaging gutter spikes and rivets.
TOTAL	\$237,810.91	

SOURCE: Kentucky Industries for the Blind.

NOTE: NIB did not assist with these contracts.

states encourage handicapped clients to make a reasonable effort to find a job and to accept it; Kentucky does not, due to restrictive personnel laws.

- There are few placement opportunities for blind employees. Resistance to hiring the blind continues in the business community. Although the federal government has enacted legislation to require affirmative action to hire the handicapped by companies doing business with federal agencies (P.L. 93-112, Sections 503 and 504), enforcement has been inadequate. Even federal financial credits have failed to overcome this resistance. The highly publicized AFL-CIO program to hire the handicapped in union jobs should stimulate future private sector commercial and industrial employment of the blind.

The Kentucky Industries for the Blind has no job placement counselor for its employees. If a KIB employee or trainee wishes job placement assistance, he must see his original field service counselor, who could be located in a distant section of the state, or contact the Division of Employment Services, whose primary responsibility is finding jobs, not placing individuals in those jobs. Placement of blind and visually impaired clients, particularly in a period of high unemployment, requires the coordinated efforts of all Bureau personnel. The Bureau's organizational structure of the job placement function may contribute to the placement problems.

## Evaluation

If the Kentucky Industries for the Blind is to function effectively and efficiently in the coming years, certain growing problems must be addressed. These are discussed in the following categories:

- Employees
- Training
- Warehousing space
- Capital Equipment Fund

**Employees.** In the spring of 1979, the Kentucky Department of Personnel ruled that all KIB workers are state classified (merit) employees. Almost half of KIB production employees are part-time. They are classified by the Kentucky Department of Personnel as permanent part-time employees who work at least 100 hours per month. Most of these 100-hour employees collect Supplemental Security Income (SSI) or Social Security Disability Income (SSDI) payments, in addition to state employee benefits. As SSI recipients, they do not wish to work more hours or receive more salary than the Social Security program allows. When KIB receives a rush of short-term contracts the SSI and SSDI recipients cannot increase their hours; yet, as state employees, they are assured salary for 100 hours even when contract work is slow. In commercial enterprises part-time workers are employed when work is available and not employed when it is not. State personnel regulations prohibit this practice for permanent part-time employees.

In accordance with state personnel rules, KIB may not pay bonuses as incentives for high production nor pay employees on a piece rate. Employees must be paid at least the state minimum wage (\$2.15 per hour), even though some handicapped employees may produce at only one-half or one-fourth the average production rate. Employees also receive yearly increments. The lowest hourly rate now being paid is \$2.96.

The Department of Personnel has also determined that KIB trainees must be paid

state minimum wage while undergoing work adjustment training. According to the Bureau for the Blind Agency Progress Report:

This means that if an agency client is sent to KIB for work adjustment, the individual must become a state employee and be paid state wages even though his/her production is not profitable.<sup>8</sup>

It would appear that state personnel rules (101 KAR) adapt poorly to a business operation and especially to a sheltered workshop or training institution. KIB management is faced with a basic conflict between production demands, training needs, evaluation and placement functions, and state personnel regulations.

This conflict could be reduced by one or more of the following methods:

1. KIB could be exempted from classified personnel status by amending KRS 18.140 to include the employees of the Kentucky Industries for the Blind.

2. KIB could apply to the Kentucky Department of Labor for special labor certificates, in accordance with KRS 337.010, which allows employers to pay less than the minimum wage to "any individual classified and given a certificate by the commissioner of labor showing status of learner, apprentice, handicapped worker, sheltered workshop employee, and student under administrative procedures and administrative regulations as prescribed and promulgated by the commissioner of labor. This certificate shall authorize employment at such wages, less than the established fixed minimum fair wage rates, and for such period of time as shall be fixed by the commissioner and stated in the certificate issued to such person."

Applications for special certificates are made by workshops and institutions. The certificates are awarded to individuals and are renewable annually. The Kentucky Department of Labor issues from 1,200 to 1,500 certificates each year. Certificates may also be issued to handicapped employees in private industry. Most sheltered workshops in the state presently utilize this expedient. The KIB could establish a work activities center within the Industries building, where low production workers and trainees, with these certificates, could receive lower wages or work on a piecework basis. KIB has never applied for these certificates, although such action was recommended as early as 1971.<sup>9</sup>

3. KRS 163.470(16) could be repealed and Kentucky Industries for the Blind set up as an independent non-profit corporation. The state could still subsidize KIB but workers would not be state employees. There are many such handicapped industries set up in Kentucky and throughout the nation.

The blind have a legitimate concern that laws or rules limiting the amount that could be paid to handicapped employees might be misused. There have been a few instances nationally where handicapped industries have been turned into "sweatshops." Adequate safeguards must be established so the Industries can be operated productively without abusing the rights of employees.

**Training.** Because of production demands and high trainee wages, blind clients at KIB are not receiving the training necessary to prepare them for outside employment. Nor is this service being provided elsewhere in the Bureau.

As previously mentioned in this chapter, the present KIB production demands do not lend themselves to the training function. This does not mean that a training center could not be



established cooperatively with KIB. Many sheltered workshops have a work activities center for trainees and permanently employed low production workers and receive federal support on a four-to-one matching basis. A training center can be a viable and useful adjunct to a production unit. It fosters work adjustment, good work habits, and familiarity with machinery and production schedules. In turn, the Industries might get help from the trainees during rush times. Establishment of a work activities center would require additional space and staff, but a large proportion of its operating costs would be provided by federal rehabilitation funds. At present, KIB receives no federal funding.

The advantage of providing skills training at the KIB rather than elsewhere is that the client can be engaged in learning a particular occupation while at the same time benefiting from the ancillary services provided by a training center.

### **Recommendations**

1. The KIB should establish a work activities center for permanent employment of low production blind and visually impaired workers. This center could include training opportunities (such as woodworking and small engine repair) in addition to industrial training for Bureau rehabilitation clients. The state portion for establishing a work activities center would be approximately \$10,000.

2. KIB should apply to the Kentucky Department of Labor for work certificates for low production employees and trainees of the Center.

**Warehousing Space.** The Bureau for the Blind's capital construction funding request for the 1980-82 biennium was denied by the 1980 General Assembly. The funds were for expansion of the present KIB building by 33,600 square feet, about half of which was to go for warehouse space. The original (1965) plans for the Industries building had included warehouse space, but, in an economy measure, this space was excluded when the building was constructed.

Due to the nature of subcontract work, KIB has to provide warehouse space for its customers. KIB customers, in order to keep supplies on hand, must order by the truckload. The materials and parts are shipped directly to KIB. Since the building does not have warehouse space, workers must sometimes store from five to six trailerloads of parts and materials in the working area. Additionally, the mop-making department must buy cotton yarn, mop handles and kraft paper by the truckload; this material is stored in the work area of that department. At this time raw materials are stored here and there throughout 75 percent of the working area.

This practice is a dangerous limitation to the mobility of the employees, and it makes supervision of the workers more difficult. The storage of yarn raises summer heat levels and permeates the air with lint. Even though the Department of Labor tested the lint levels in the air in 1979 and found them acceptable, the lint is nonetheless unpleasant. Storage is also unnecessarily expensive, as the materials are now kept in lighted and heated areas.

If these materials were removed from the working area, space would be available for a work activities and training area as well as an expansion of the existing production lines. Blind clients could be trained for competitive employment and more could be hired by sheltered workshops.



Typical Example of the Work Conditions  
at Kentucky Industries for the Blind

**Capital Equipment Fund.** The Javits-Wagoner-O'Day Act (P.L. 92-28) encourages the selling of products produced by blind and other handicapped, non-profit agencies to departments of the federal government. Contracts for supplies to federal agencies are distributed through the National Industries for the Blind (NIB). Most sheltered workshops get 50 percent of their business through NIB.

KIB has secured less than 10 percent (\$63,725), due to its inability to meet contract guarantees. In order to bid on NIB federal contracts a sheltered workshop must demonstrate that it has sufficient employees and space, and the funds to purchase necessary equipment. KIB has enough employees, and with additional warehouse space it would have sufficient space, but it needs a capital equipment fund to demonstrate its ability to furnish necessary equipment before it can bid on NIB contracts. KIB's budget does not presently allow for large capital outlays.

Federal NIB contracts are typically of longer duration, more dependable, and provide higher returns than local commercial contracts. A higher percentage of NIB contracts would allow KIB to diversify and decrease its dependence on individual manufacturing companies for subcontract work.

If a capital equipment fund were established for the KIB, part of the income from these more lucrative NIB contracts could be returned to the fund in order to retain bidding capabilities. A portion of this additional income could be used to help support a training and low production area for KIB. With increased production, KIB could meet increasing employee costs, as well as hire additional blind and visually impaired employees.

### **Recommendation**

The General Assembly should appropriate \$100,000 (a one-time appropriation) to KIB for a permanent, revolving capital equipment fund. Purchases could be made from this fund for production equipment. KIB should be required to use net income from projects using equipment purchased via the equipment fund to replenish the fund as soon as practicable after these purchases are made, but in no case at a rate slower than repaying to the fund 10 percent of the cost of each piece of new equipment per year in each of the ten years following purchase. Interest on fund balances should accrue to the fund. KIB estimates that a capital equipment fund would increase production contracts by \$80,000 to \$110,000 per year.

### **Conclusions**

Due to salary and benefit increases, KIB costs will be substantially higher in 1980, requiring either a greater state subsidy or increased sales. With the help and coordination of other divisions within the Bureau for the Blind, the KIB is presently doing what it can within its financial and personnel constraints to improve its program. It is installing a computer cost accounting system that will not only speed up paperwork but also facilitate contract bidding. It is formulating a personnel policy manual that will clarify employee rules and benefits. It is coordinating efforts with other Bureau personnel for training and adjustment for a small number of Bureau clients.

New equipment, additional space and employee certificates from the Commissioner of Labor would increase KIB productivity. One-time capital equipment and construction funding could avert substantial subsidy increases in the future.

## **The Rehabilitation Center for the Blind**

The Rehabilitation Center for the Blind is one of the six statutory divisions of the Bureau for the Blind. It began operating in June, 1970, under the Bureau of Rehabilitation Services (BRS). The Center's director, Mr. Fred Gissoni, is blind and has been associated with rehabilitation services in Kentucky for many years.

The Center occupies the second floor and part of the first floor in the Kentucky Industries for the Blind building in Louisville. It is composed of six twin bedrooms, offices, classrooms, recreation rooms and a kitchen-dining area. Total space occupied is approximately 8,000 square feet.

The Center served fifty-six clients in fiscal year 1979, with an average length of stay of about twelve weeks. There were forty-two residential students and fourteen day students. Average daily attendance was eleven students. The Center has seventeen employees.

The Rehabilitation Center serves blind clients from throughout the state, although most are from the Louisville area. To receive services a student must be certified by a member of the BFB counseling staff as eligible for vocational rehabilitation services. The Bureau's management maintains that eligibility is based on age (15-64) and on a realistic expectation that the individual can be employed after rehabilitation services have been rendered. Financial need is not a factor in referring individuals to the Rehabilitation Center, nor is it for other BFB services. Many clients are adults who have developed vision problems in later life.<sup>10</sup> Forty percent of the clients have some usable vision but are considered legally blind.

The FY 1979 budget for the Rehabilitation Center was \$298,000. Actual expenditures of the Center for that period were \$326,733. The latter figure includes SSI and SSDI funds paid into the program. Therefore, the cost per student for an average stay of twelve weeks was \$5,881. The budget request for FY 1980 is \$330,500. In addition, the Center requested Capital Construction funds for a 4,000 square-foot expansion of its present facility.

### **Programs**

The primary functions of the Rehabilitation Center are helping clients adjust to blindness and helping the blind acquire the basic skills necessary for personal independence. Many clients, by virtue of limited experience, over-protection, isolation, or because their sight loss is so recent, are quite unaware of the capabilities blind and visually impaired people can develop.

The program offered at the Kentucky Rehabilitation Center includes courses in the following categories:

1. Orientation and mobility: traveling with the aid of a sighted guide; the effective use of the cane as an aid to mobility; the use of public transportation; methods for obtaining and acting upon environmental clues obtained from the senses of hearing, smell and touch.
2. Instruction in housekeeping, food preparation and personal hygiene.
3. Communication and computation.
4. Development of recreational and social skills.

Individual counseling and nursing services are available for the students. Clients from outside the Louisville area receive room and board.

Vocational training services offered at the Center are minimal. Four clients were trained as telephone operators between 1977 and 1979, but none is employed. There is limited instruction in typing or the use of vocation-related equipment adapted for the blind.

The Rehabilitation Center provides a service that no other organization is presently providing to blind citizens of Kentucky. It serves fifty to fifty-six adult blind clients yearly, giving psychological support and self-help information and training. The adjustment process fostered there enables many blind clients to live independently. Additionally, if a blind individual is to be vocationally trained or retrained, he must first reach some stage of adjustment to blindness itself. It is not presently known how many Center graduates go on to vocational training and eventual employment and how many do not. Until January, 1980, the Center maintained no follow-up system on clients leaving the adjustment program.

The \$5,881 figure for an individual stay of twelve weeks is not for the complete vocational rehabilitation of the client, but for this particular stage of the process. The Rehabilitation Center's seemingly high fee for this one phase of rehabilitation is largely explained by the fact that its services are delivered on a one-to-one basis. This approach requires a high employee-to-student ratio, and limits the number of clients who can be admitted. The Center presently maintains ten clients on its waiting list with a three to six-month admission delay.

More effective utilization of current personnel could perhaps be achieved by altering present client service delivery. For example, a short individual orientation period could be followed by small group adjustment training. More clients could be served without a significant increase in costs. However, the present study cannot answer whether such an approach is feasible for blind adjustment services. The only fair analysis of costs and service delivery procedures for a blind adjustment center is comparison with an identical adjustment program; however, none could be found for this comparison. Whether costs per student can or should be reduced thus remains a management decision for the Bureau for the Blind.

### **Recommendation**

The Bureau for the Blind should evaluate the costs and procedures at the Kentucky Rehabilitation Center to determine whether adjustment services can be delivered more economically without sacrificing effectiveness.

Under the present statute (KRS 163.470), which establishes six divisions within the BFB, the Rehabilitation Center operation has been relatively autonomous. Field counselors have little input into how the Center is run or what services are offered. Interviews with various Bureau employees revealed that the Center has little interaction with the Jobs for the Blind program, which is located in the same building. The Center would function more effectively if it were better integrated into the overall blind services program.

Field counselors find that many of their clients from eastern and western Kentucky do not want to go as far as Louisville for work adjustment and training. Also, they would prefer that their clients receive more work adjustment and work training than is offered there presently. The Bureau for the Blind can offer only the assembly type work at Kentucky Industries for the Blind or vending stand training. Opportunities for permanent employment in these two areas are limited.

The Bureau of Rehabilitation Services operates the Eastern Kentucky Rehabilitation

Center (EKRC) at Thelma, Kentucky. EKRC offers adjustment training, physical therapy and vocational training for the handicapped in the eastern Kentucky area. It presently provides training in metal work, upholstery, sewing, engine repairs and in other areas suitable to the blind and visually impaired. Although EKRC has served two visually impaired clients for the Bureau in the last year, it has never served totally blind clients. The staff of EKRC would like to work with the BFB to implement services for the blind at Thelma. These services could be offered to blind and visually impaired persons via a contract between the BRS and the BFB.

### **Recommendation**

The Bureau for the Blind should make greater use of the blind adjustment and vocational services of the Eastern Kentucky Rehabilitation Center at Thelma, Kentucky. Efforts should be made to obtain similar services in western Kentucky.

### **The Office of the Ombudsman**

The 1976 General Assembly, with H.B. 437, created an office of the ombudsman as part of the Bureau for the Blind. The Bureau is by far the smallest Kentucky state agency having such an office. The Department for Human Resources (DHR) has an ombudsman who represents the Department's clients, including blind individuals who are eligible for DHR services. The Bureau of Rehabilitation Services has an ombudsman position, but it is vacant.

Ombudsman functions usually fall into two major categories: referral services for clients seeking agency services, and investigation of complaints from individuals against the agency, including representation of clients in obtaining services and fair treatment. Related duties include periodic surveys of client satisfaction, as mandated by federal regulations, promoting affirmative action and non-discriminatory policies, and hearing complaints. An ombudsman may also conduct administrative reviews of such complaints.

The ombudsman reports to the Bureau's executive director. Actually, his administrative relationship to the director is potentially in conflict with his duties to represent clients' grievances against the agency. Such conflict has not been a problem, however, since the office has had only two formal requests for administrative review. The ombudsman also assists the executive director in other duties not necessarily related to his ombudsman role. Referral requests at the present are infrequent.

While ombudsman services should be available to the blind population, the small number of complaints cannot justify maintaining a separate office for this sole purpose. The ombudsman function could be moved to the office of the Secretary of Education and the Arts Cabinet and its services be expanded to include all programs within that Cabinet.

Alternative recommendations were presented in LRC Research Report No. 165:

1. A statewide information and referral system should be established in the Office of the Ombudsman in the Department for Human Resources to address the information and referral needs of disabled Kentuckians . . .
2. The responsibilities of the Division for Protection and Advocacy in the Department of Justice to advocate the civil and human rights of persons with developmental disabilities should be expanded to provide these same

services to those persons defined to be 'handicapped' by Section 504 of the 1973 Rehabilitation Act . . .<sup>11</sup>

**Recommendations**

1. The General Assembly should amend KRS 163.470 to remove the office of the ombudsman from the Bureau for the Blind and establish such function for all clients served by the Education and the Arts Cabinet,

OR

2. The General Assembly should amend KRS 163.470 to remove the office of the ombudsman from the Bureau for the Blind and establish this function as recommended by LRC Research Report No. 165 (cited above).





## CONCLUSIONS

Services to the blind have changed from the custodial approach at the turn of the century to the present emphasis on integrating blind persons into the mainstream of society. The Vocational Rehabilitation Act of 1973 reflects public recognition that blindness need not result in confined and isolated existence and that many blind persons have the potential for becoming active members of society. As a result of these changes approximately 30 percent of the blind of working age (18 to 65) are now employed nationwide and another 24 percent are in various phases of rehabilitation processes. This percentage may not be as discouraging as it might sound to some, since a certain number of blind persons are multiply handicapped.

The Commonwealth of Kentucky provides, through different agencies, many social and welfare services to the blind. The Bureau for the Blind has the unique mission of offering vocational rehabilitation to the blind. Services to the blind are only slightly related to services to other handicapped groups. As a result, twenty-seven states, including Kentucky, have created separate agencies to serve the blind.

Some of the problems faced by the Bureau are not a result of its own shortcomings. An example is the limitation imposed by the Kentucky Revised Statutes that prevents the Bureau from making organizational changes without legislative action or an executive order. Another major problem affecting the Bureau's operations is the general reluctance on the part of society to hire the blind or other physically handicapped. That Kentucky state government, excluding the Bureau, employs less than twenty blind individuals is a case in point. The many blind persons already employed by the Bureau and other public and private enterprises, are proof of how the skills and capabilities that blind persons possess and can acquire are sufficient to gainful employment. Rehabilitating the blind cannot be accomplished by one agency or organization. Even so, it is important that the Bureau be stronger and more aggressive in promoting its cause.

The Committee for Program Review and Investigation raised six basic questions and issues relating to the Bureau and its programs. Addressing and resolving these issues has been difficult, and in some cases impossible, due to a lack of information. Data development, and collection and recording systems in the Bureau of Rehabilitation Services and the Bureau for the Blind are in many cases not compatible. However, the following conclusions are offered regarding the Committee's concerns:

1. Meeting the needs of blind Kentuckians: The services provided to the blind in Kentucky are comparable to those provided by other states, both in their range and in the number of people they serve. The Bureau for the Blind serves about 36 percent of the eligible blind. Similar figures for the visually impaired are not available.

2. Bureau services to the blind compared with previous services delivered by the Bureau of Rehabilitation Services: It is difficult to make meaningful comparisons, due to changes in the nature of services, changes in emphasis on the more severely handicapped individuals, and a lack of comparable data from previous years. There has been national and statewide decline in the number of people rehabilitated and a decline in the number of new cases available during the last four years. It was found that the Bureau for the Blind did increase the number of its clients in spite of the general trend, however.

3. Efficiency of services: Efficiency is a measure of serving more clients at the same cost or reducing the cost of services without affecting their quality. The serving of more severe cases, increases in the range of services, differences in services rendered, and changes in management and reporting procedures hamper an analysis of this issue. However, in cost per case, Kentucky's Bureau is comparable with those of other states. Also, its length of service and training time per client are longer than those of other states in the region.

4. Serving the more severe cases: Increases in costs of services per client and the longer time of services tend to support the assertion that more severe cases are being served. More in-depth analysis of this issue would require detailed examination and comparison of an inordinate number of case files, many of which are difficult to separate from the files of the Bureau of Rehabilitation Services.

5. Administrative costs: While there were large increases in administrative costs during the first two years of the Bureau's operation, these costs have stabilized at around 10 percent of the Bureau's budget. Several analyses resulted in different estimates of administrative costs. This variance is due partly to a lack of uniformity in reporting such costs and the lack of common definitions of such costs. There seems little doubt, however, that the need for the BFB to provide administrative services previously carried by the BRS, combined with the establishment of six operating divisions, has resulted in higher administrative costs. Moreover, these factors have meant less money for field services and a need for higher general fund appropriations.

6. "Commission" vs. "Bureau" for the Blind: The report does not recommend a change in the name of the Bureau. Many of the questions of interpretation of powers and duties raised by the name of the Bureau are answered and defined by the statutes creating it.

## FOOTNOTES

1. *Rehabilitation Services Manual, Transmittal Number 8, on Accounting Systems*, as revised, the Rehabilitation Services Administration, HEW Office of Human Development, May, 1975.

2. Information based on a telephone call to the New Jersey Commission for the Blind, May, 1980.

3. "How Many Kentuckians," the University of Louisville Urban Studies Institute, 1979 update.

4. Paper presented by Louis Goldfish from the Technical Marketing Association at a workshop on "Sensory Deficits and Sensory Aids," sponsored by the Rehabilitation Services Administration, Department of Health, Education and Welfare, San Francisco, California, March, 1977.

5. "Personal Comments and Synopsis of the Agency [Bureau for the Blind] Budget Review," a memorandum from Mr. Vinson Straub to the Appropriations and Revenue Committee, Frankfort, Kentucky, April 17, 1978.

6. "State Vocational Rehabilitation Agencies, 1978," a report by the Office of Administration Support, Division of Program Data and Analysis, HEW Rehabilitation Services Administration, Washington, D.C., April, 1979.

7. A letter from Mr. K. Aenninger, Assistant for Network Support of the Library of Congress, to Mr. Adam Ruschival, Administrator, the Kentucky Library for the Blind and the Physically Handicapped, August 23, 1977.

8. "Agency Progress, July 1, 1977 to September 15, 1979," Bureau for the Blind, December 1, 1979.

9. *Technical Assistance Report on Kentucky Industries for the Blind*, Edward J. Hester, Director of Research and Program Development, Goodwill Rehabilitation Center, 120 South Ashland Boulevard, Chicago, Illinois.

10. The average age of students over the last ten years was 43. The trend has been toward slightly younger students during the last three years.

11. Bruce Simpson, "Information and Advocacy: Needs of Disabled Kentuckians" (Frankfort, Kentucky: December, 1979), p. viii.



## **APPENDIX A**

### **PERSONS INTERVIEWED DURING PROGRAM REVIEW COMMITTEE STUDY**



Mr. Bob Arnold  
Mr. Bob Barnes  
Mr. Ken Baswell  
Mr. Michael Becker  
Mr. Mike Bell  
Mr. Doug Boone  
Ms. Carol Burkett  
Honorable Wendell Butler  
  
Ms. Cheri Cleaver  
Mr. Paul Collins  
Dr. Stephen Cornett  
Mr. Charles Cox  
Mr. Tim Cranmer  
  
Mr. Merv Darter  
Mr. Carl Dotson  
  
Dr. William Emener  
  
Mr. Arnold Fields  
Ms. Carla Franklin  
Ms. Julia French  
Ms. Carla Friedman  
  
Ms. Betty Gissoni  
Mr. Fred Gissoni  
Ms. Debbie Greene

Ms. Mary K. Insko  
Ms. Jean McCombs  
Mr. Charles McDowell  
Ms. Barbara Miller  
Mr. Ray Morgan  
Mr. David E. Murrell  
  
Ms. Betty Nicely  
  
Mr. William C. Padon  
Mr. Robert Page  
Mr. Don Pfaadt  
  
Mr. Ed Rademaker  
Mr. Adam Ruschival  
  
Mr. Sam Serraglio  
Honorable Thelma Stovall  
Mr. Marshall Swain  
  
Mr. Wendell Taylor  
  
Mr. Phillip Veno  
Ms. Pat Vice  
  
Mr. Garland Wilson  
  
Ms. Jenelda Yurt





**APPENDIX B**

**BUREAU FOR THE BLIND**

**KRS 163.460 to 163.470**



## BUREAU FOR THE BLIND

163.450. Purpose.—The purpose of KRS 163.450 to 163.470 is to provide for a separate and specialized agency for the blind to provide for and improve the rehabilitation of the blind and visually impaired citizens of the commonwealth of Kentucky in order that they may increase their social and economic well being and the productive capacity of the commonwealth and the nation. (Enact. Acts 1976, ch. 377, § 1.)

163.460. Definitions.—As used in this chapter unless the context otherwise requires:

(1) "Bureau" means the bureau for the blind.

(2) "Legally blind" means a visual acuity of 20/200 or less in the better eye with correction or a visual field of 20 degrees or less.

(3) "Visually impaired" means a visual acuity of 20/60 or less in the better eye with the correction or when the visual field is limited to 60 degrees or less.

(4) "Executive director" means the executive director of the bureau for the blind. (Enact. Acts 1976, ch. 377, § 2.)

163.470. Creation and functions of bureau—Citizens advisory committee—Ombudsman—Executive director—Divisions within bureau.—

(1) There is created within the education and the arts cabinet the bureau for the blind.

(2) The executive director shall be appointed by the governor upon the recommendation of the secretary of the education and the arts cabinet to whom he shall be directly responsible.

(3) The bureau shall be the state agency responsible for all rehabilitation services for the blind and the visually impaired and other services as deemed necessary. The bureau shall be the agency authorized to receive all state and federal funds designated for rehabilitation services for the blind and visually impaired. The bureau is, also, authorized to receive gifts and bequests for the benefit of rehabilitation services for the blind and visually impaired.

(4) All records, equipment and personnel presently under the division of vocational rehabilitation services for the blind which includes the Kentucky business enterprises program and the Kentucky industries and rehabilitation center for the blind, and the division of special and technical aids for the blind, under the jurisdiction of the bureau

of rehabilitation services, department of education, shall be transferred to the bureau. All funds budgeted to the division of vocational rehabilitation services for the blind, the Kentucky business enterprises program, the Kentucky industries and rehabilitation center for the blind and the division of special and technical aids for the blind shall be transferred to the bureau. The state treasurer is designated as the custodian of all funds and shall make disbursements for rehabilitation purposes upon certification by the executive director.

(5) The bureau shall establish a citizens advisory committee of not less than fifteen (15) persons nor more than thirty (30) persons. There shall be statewide representation. Leaders of the known organizations of the blind shall be included. The advisory committee shall advise the bureau and the executive director. No bureau employee shall be a member of the committee. Members of the committee shall serve without compensation, but shall be reimbursed for actual expenses incurred in service on the committee.

(6) The bureau shall establish and implement policies and procedures for the carrying out of the program of services for the blind.

(7) At the close of each fiscal year, the bureau shall prepare a financial report and present it to the secretary of the education and the arts cabinet and to the governor. The annual report shall be published. The annual report shall, also, contain a precise review of the work of the bureau and contain necessary suggestions for improvement.

(8) The bureau shall coordinate its functions with other appropriate public and private agencies.

(9) The bureau shall perform all other duties as required of it by law.

(10) There shall be created under the authority of the bureau an office of the ombudsman to hear client grievances. A complaint review and hearing process shall be established by the bureau and administered by the ombudsman. This process shall be explained to all bureau clients during their first contact with the agency.

(11) The executive director shall hire personnel as necessary to carry out the work of the bureau and the provisions of KRS 163.450 to 163.470. Preference shall be given to hiring qualified blind persons. Hiring and promotional personnel practices shall not be discriminatory because of age, sex, race, physical disability or national origin. Bureau employees shall receive compensation and travel expenses as allowed other employees of the commonwealth.

(12) There shall be created under the authority of the bureau, to be directed by the executive director, a division of field services which shall provide intake and rehabilitation counseling services.

(13) There shall be created under the authority of the bureau, to be directed by the executive director, a division of technical services which shall distribute or sell technical aids, talking book machines, educational aids and other aids to the blind. This division shall provide educational materials such as recorded texts, braille or large type texts or such other materials as may be deemed necessary for the education of the blind. This division shall conduct research into the development of new technical and educational aids for the blind.

(14) There shall be established under the authority of the bureau to be directed by the executive director, a division of business enterprises. This division shall include the vending facilities program and shall promote the development of other small businesses. In connection therewith the bureau shall be authorized to own, lease, manage, supervise and operate vending facilities and other business enterprises for use or benefit of blind persons in federal, state, private and other

buildings. The share of expenses of this program to be charged to each enterprise shall not exceed three per cent (3%) of the gross receipts of such enterprise above the amount of one hundred twenty-five dollars (\$125) gross sales per week, the first one hundred twenty-five dollars (\$125) per week being exempt from any such fee. One or more facility placement agents shall be employed to locate and establish additional vending facilities. The bureau for the blind shall make such surveys as may be deemed necessary to determine the vending facility opportunities for blind persons in state buildings or on other property owned, leased or otherwise occupied by the state government and may install vending facilities in suitable locations on such property for the use of the blind. All of the net income from vending machines which are on the same property as a vending facility shall be paid to the blind operator of the vending facility. Whenever there exists a conflict of interest between state agencies seeking to vend merchandise on the same state property, the agencies shall negotiate a fair agreement which will protect the interest of both from unreasonable competition. Such agreements shall be submitted to the custodial authority having jurisdiction over the property for approval. Provided, however, That in all situations the operator shall be permitted to vend all items of merchandise customarily sold at similar vending facilities.

(15) There shall be established under the authority of the bureau, to be directed by the executive director, a division of the rehabilitation center for the blind which shall provide mobility training, work evaluation, personal adjustment and other services as needed for the blind adult. The rehabilitation center shall, also, serve blind adults who have other disabilities.

(16) There shall be established under authority of the bureau, to be directed by the executive director, a division of industries for the blind which shall provide industrial evaluation, training, employment, home industries. Emphasis shall be on placement in public employment and long-term sheltered employment at industries for the blind.

(17) There shall be established under the authority of the bureau, to be directed by the executive director, a division of employment services which shall promote the employment of the blind in the public and the private sectors. This division shall coordinate its activities with the division of field services, the division of business enterprises, the division of rehabilitation center for the blind and the division of industries for the blind.

(18) The bureau shall provide staff services which shall include fiscal management, staff development and training, program development and evaluation, public information office and such other staff services as may be deemed necessary. (Enact. Acts 1976, ch. 377, § 3.)

Cross-References. Rehabilitation agency for the blind, KRS 163.110 to 163.140, 163.160 to 163.210.

School for the blind, KRS 167.140.

#### 163.990. Penalty. [Repealed.]

Compiler's Notes. This section (Acts 1972, ch. 340, § 7) was repealed by Acts 1976, ch. 363, § 13.



APPENDIX C

REPORT OF THE CITIZENS' ADVISORY COMMITTEE  
TO GOVERNOR JULIAN M. CARROLL,  
NOVEMBER 1, 1976







COMMONWEALTH OF KENTUCKY  
THE EDUCATION AND THE ARTS CABINET

CAPITAL PLAZA TOWERS  
FRANKFORT, KY. 40601

Wendell P. Butler  
XXXXXXXXXXXXXX  
SECRETARY

November 1, 1976

MEMORANDUM

TO: Hon. Julian M. Carroll  
Governor of Kentucky

FROM: Wendell P. Butler  
Secretary of the Education and Arts Cabinet

SUBJECT: Report on Anticipated Fiscal and Program Implications Expected  
Through the Implementation of House Bill 437

In compliance with Executive Order 76-585, I, as Acting Executive Director of the Bureau for the Blind, appointed a Citizens' Advisory Committee for the Bureau and took appropriate steps to carry out the following Order as directed:

Report to the Governor on the anticipated fiscal and program implications expected through implementation of House Bill 437.

First Meeting

The Citizens' Advisory Committee of the Bureau for the Blind met on August 4, 1976, Frankfort, Kentucky, with all members present with the exception of two. The agenda for the meeting was designed to focus attention on the necessity of developing a State Plan which is a prerequisite to implementing the Bureau for the Blind under House Bill 437.

There were two basic reasons for giving top priority to the development of a State Plan:

First, federal funds would not be available for the operation of a program for the blind and visually impaired until a State Plan had been approved by the Governor; the Regional Office of Rehabilitation Services, Atlanta, Georgia; and forwarded to the U. S. Office, Washington, D. C., for approval.

Second, anticipated fiscal and program implications expected through the implementation of House Bill 437 cannot in reality be identified and explained except through the process of developing a State Plan.

At the meeting on August 4, Mr. Wendell Taylor, Deputy Bureau Head, Bureau of Rehabilitation Services, Kentucky Department of Education, discussed some issues and problems involved in developing a State Plan. Mr. Henry Warner, Associate Regional Representative, Department of Health, Education, and Welfare, Office of Human Development, Rehabilitation Services Administration, Atlanta, Georgia, spoke to the Citizens' Advisory Committee on federal requirements for a State Plan. After a discussion and question period by the Committee members on the job ahead, the Committee, upon my recommendation as Chairman, approved the appointment of an Ad Hoc Committee to draw up a proposed State Plan as soon as possible to be presented for discussion and assessment at the next meeting of the Citizens' Advisory Committee.

### Second Meeting

The Citizens' Advisory Committee for the Blind and Visually Impaired held its second meeting on September 28, 1976, at Frankfort, Kentucky. The agenda for the meeting was designed to discuss and assess the proposed State Plan which had been developed by an Ad Hoc Committee pursuant to the Committee's assignment. In the course of the Committee's discussion which followed a factual presentation of the Plan by the Ad Hoc Committee members, several points of interest became evident to the members of the Committee:

1. House Bill 437 will incur costs over and above the funds allocated in the Executive Budget for the present program of blind services.
2. The Legislature evidently passed House Bill 437 on the basis of assurance that no state funds over and above the funds allocated in the Executive Budget for the present program of Blind Services would be required. (HB 437 Sec. 3, Para. 4, Lines 2-8, Page 3)
3. The establishment of an independent agency for the Blind and Visually Impaired will not entitle the State to federal rehabilitation funds beyond the existing level.
4. House Bill 437 expands the role of blind services to permit non-rehabilitation activities. Ref. (Sec. 3, Para. 3, Lines 12-15, Page 2)
5. House Bill 437 established an agency for the Blind and Visually Impaired which is unique in its placement within governmental organization structure--not another one like it.

## Third Meeting

The Citizens' Advisory Committee for the Blind and Visually Impaired met for the third time on October 7, 1976. Because of the urgency of the matter, the Advisory Committee continued its assessment of the proposed State Plan on the basis of certain criteria. The Committee had the privilege of hearing Dr. Steve Cornett, Director of Rehabilitation Services, Atlanta, Georgia, who was present in the role of consultant.

This October meeting was significant. At this meeting, the spotlight was focused on the issues which represented problem areas to which consideration must be given in the effective implementation of House Bill 437. The issues are as follows:

A. The big issue is House Bill 437

The intent of House Bill 437 was to establish an independent agency for the blind and visually impaired. There is nothing wrong with the intent of the law. I take the position that the time has come for our State to establish a sound program to meet the needs of the blind and visually impaired. However, it would be a costly mistake to start a program for the blind and visually impaired under House Bill 437 as it now reads.

The intent of House Bill 437 fell by the wayside when the word "bureau" was substituted for a commission and placed within a cabinet. The law as it now stands has many flaws and inconsistencies. The weaknesses inherent in the legislation will, in my opinion, make it impossible to develop a sound realistic program to serve people who deserve the best.

1. The issue of organization (Exhibit I)

The organizational structure as established under a proposed State Plan rates low on clarity. Since a bureau by practice and definition should be placed in an agency, it has complicated the problem of identifying the sole agency for the Bureau for the Blind. Federal authorities who participated in the role of consultants in the development of a State Plan recommended that the Education and Arts Cabinet be made the sole agency. The Attorney General finally approved the Cabinet as the sole agency in the proposed State Plan but took exception to it in a letter. (Exhibit 1 A - Attorney General's letter)

There are four possible models for establishing agencies for the Blind and Visually Impaired which would be more appropriate within governmental organizational structure.

- a. Another Bureau within the Department of Education equal to the Bureau of Rehabilitation Services.
- b. A Commission for the Blind.

- c. A Bureau within the Human Resources Department.
- d. A Division within the Bureau of Rehabilitation Services, Department of Education. (The present structure).

2. The issue of cost: (Exhibit II)

The implementation of House Bill 437 under the proposed State Plan is estimated to cost \$3,749,600 for FY 1976-77. The present program for the blind and visually impaired is estimated to cost \$2,503,400 for FY 1976-77. A minimum of \$1,246,000 will be needed in addition to the amount of funds allocated in the Executive Budget for the Division of Blind Services in the general Bureau of Rehabilitation Services. As I see the financial situation, the cost of implementing House Bill 437 which is over and above the allocation in the Executive Budget can come from two sources: (a) state funds; (b) transfer funds.

3. The issue of duplicative cost: (See Exhibit III)

A substantial amount of the funds required to establish a new Bureau for the Blind and Visually Impaired is duplicative cost. For example, the general rehabilitation program is now serving the visually impaired. When the visually impaired service which is now provided by the general program is transferred to the new Bureau, the cost of adding twelve counselors to maintain the present level of services in the new Bureau is approximately \$273,000. Since the transfer of this service for the visually impaired to the new Bureau will not allow a reduction in the work force and related cost in the general program, this extra cost for counselors can be considered duplicative cost. Another example of duplicative cost is found in the central administration and support cost of the new Bureau. Since the separation of the Services for the Blind from the Bureau of Rehabilitation Services will not allow any reduction in staff for administrative and support services in the Bureau now providing the services, this cost for the new Bureau can be considered a duplicative cost.

4. The issue of transfer funds: (Exhibit IV)

The funds that would finance the Bureau for the Blind and Visually Impaired are presently allocated in the Executive Budget to the Division of Blind Services located in the general program. The Executive Budget passed by the Legislature for the 1976-77 fiscal year allocated \$2,503,400 for the program services for the blind. The Legislature identified the funds to be transferred from the general program to the new Bureau for the Blind in House Bill 437. The Legislature in passing House Bill 437 was given the assurance that the new Bureau for the Blind would not require funds over and above the funds allocated in the Executive Budget for the present program services for the blind and visually impaired. Transferring funds

from the general program to another agency involves the process of negotiation. The authority to negotiate on the transfer of funds from one agency to another is first exercised between the two agencies involved. Under the proposed State Plan, the authority to negotiate first involves the head of the Department of Education and the Secretary of the Education and Arts Cabinet. Arrangements through the process of negotiation with the agencies involved can be made to transfer \$282,000 from the general program to the new Bureau. This will then leave the State Plan approximately \$1 million short of funds required for approval for the first year of the biennium. Dr. Graham states that he has some reservations concerning the legality of transferring any funds over and above the amount specified in House Bill 437.

5. The issue of staffing: (Exhibit V)

House Bill 437 provides for six divisions and an ombudsman in the Bureau for the Blind. Federal regulations require that the directors of divisions in the new Bureau be comparable to the grade of the directors of divisions in the general program. When state law and federal requirements are considered, you can understand why administrative cost is unusually high in the new Bureau.

Fiscal and Program Implications

Executive Order 76-585 is primarily concerned with the anticipated fiscal and program implications expected through the implementation of House Bill 437. An understanding of what is implied for the future is highly essential at this point if we are to act with good judgment. All of the issues heretofore discussed have far-reaching implications for the future development of a sound program to meet the needs of the blind and visually impaired in Kentucky. I feel that the direction the program for the blind takes at this time is more significant than the speed involved in implementing the program.

The big issue is House Bill 437. Without a doubt, the roadblock to getting the proposed State Plan approved is the cost issue. Federal officials in their forecast on cost and performance are estimating overhead expenses for the new Bureau will continue to rise in the future while federal funds for this purpose will decrease.

The proposed State Plan has serious implications for state funds. For example, if state funds are used now to provide for the extra cost required by the proposed State Plan for 1976-77, it will be necessary to continue this level of state funding for succeeding years. No additional federal funds will be made available to Kentucky as a result of establishing another Rehabilitation agency for the Blind and Visually Impaired. If the Bureau of Rehabilitation Services is required to transfer needed funds by negotiation in addition to

what is mandated by law to the new Bureau, the pressure for state funds will then come for replacement of transferred funds. Federal officials look with disfavor on controversies involving the transfer of funds from one agency to another one.

In the proposed State Plan, no program increases are provided for services to non-vocational objective clientele. Although House Bill 437 expands the role of blind services to permit non-rehabilitation activities, the fiscal and program implications will result in pressure for funds to provide this badly needed service. Such services would require additional funding. The only known potential sources of funding for these services are Title XX, which is fully obligated, or state funds. Any inference in House Bill 437 that added federal funds would be available or that the State would have added options in expanding federal monies appears to be false.

### The Number One Issue

The time has come to face the number one issue as it relates realistically to the State Plan and our goal--the goal of developing a sound program to meet the needs of the blind and visually impaired of Kentucky. I know of no group more deserving of a good program.

Under the proposed State Plan there are three alternatives for getting the necessary funds to meet the requirements for the approval of the proposed State Plan. The three alternatives are concerned with three sources of funds: (1) the Governor's contingency fund; (2) the surplus fund; and (3) the transfer fund.

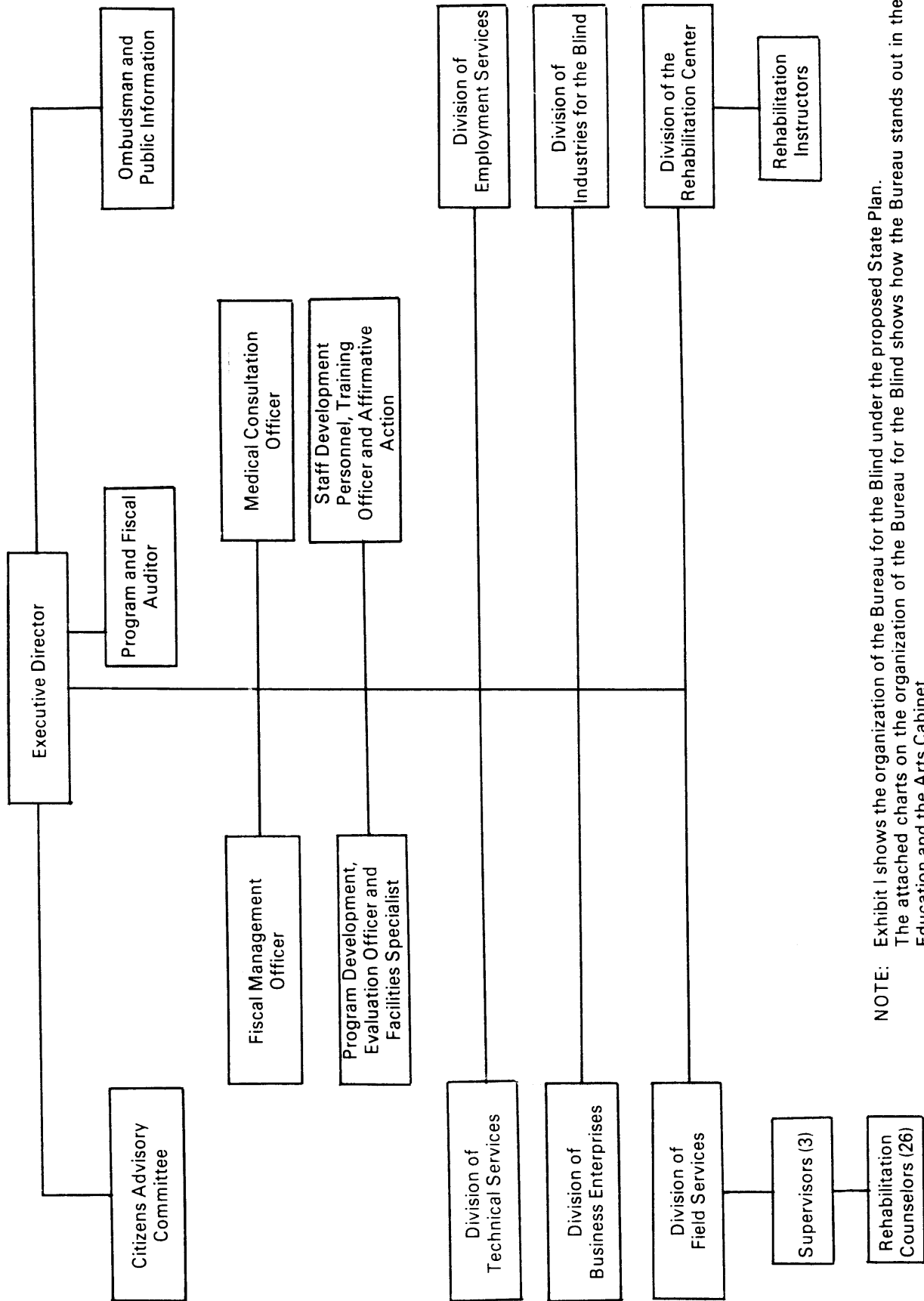
I have been advised by Mr. Jack Hall, Chief Administrative Assistant to the Governor, that a contingency fund grant would be difficult to justify even if the funds were available. I have been advised by the office of Policy and Management that a surplus fund grant would call for a legislative appropriation. Arrangements through the process of negotiation with the agencies involved can be made to transfer \$282,000 from the general program to the new Bureau. This will then leave the State Plan approximately \$1 million short of funds required for approval for the first year of the biennium. Dr. Graham states that he has some reservations concerning the legality of transferring any funds over and above the amount specified in House Bill 437.

In light of the cost issue and weaknesses inherent in House Bill 437, the question is, "What is the best course of action at this time?" I recommend that you, the Governor, through an Executive Order, take the following action as being realistic:

1. Order the present program for the blind and visually impaired to continue in the general program until a State Plan has been approved.
2. Appoint an Executive Director for the Bureau for the Blind and Visually Impaired and assign duties and responsibilities as follows:

- a. He shall be responsible to the Secretary of the Education and Arts Cabinet and work with the Advisory Committee which has been appointed by the Acting Director.
- b. He shall act as ombudsman to hear grievances related to problems involved with the implementation of House Bill 437.
- c. He shall hire with approval of the Secretary such personnel as necessary to carry out his assignment.
- d. He shall work with the Rehabilitation officials on developing an equitable formula for allocating federal and state funds to two Rehabilitation agencies under a State Plan for Kentucky.
- e. He shall study and assess the weakness of House Bill 437 as it relates to federal requirements with a view of asking the 1978 General Assembly to rectify the flaws in the law in order to make possible an orderly, economical, and feasible establishment of a sound and separate agency for the blind and visually impaired.
- f. He shall explore the possibility of reducing the cost connected with the proposed State Plan and at the same time explore the possibility of increasing the percentage of the total Rehabilitation funds available for the new Bureau.
- g. He shall recommend programs to promote the employment of the blind in the public and private sectors. This program shall promote liaison activities with all private, state, and federal agencies relating to employment of the blind.
- h. He shall carry out whatever assignment the Secretary of the Education and Arts Cabinet deems advisable.

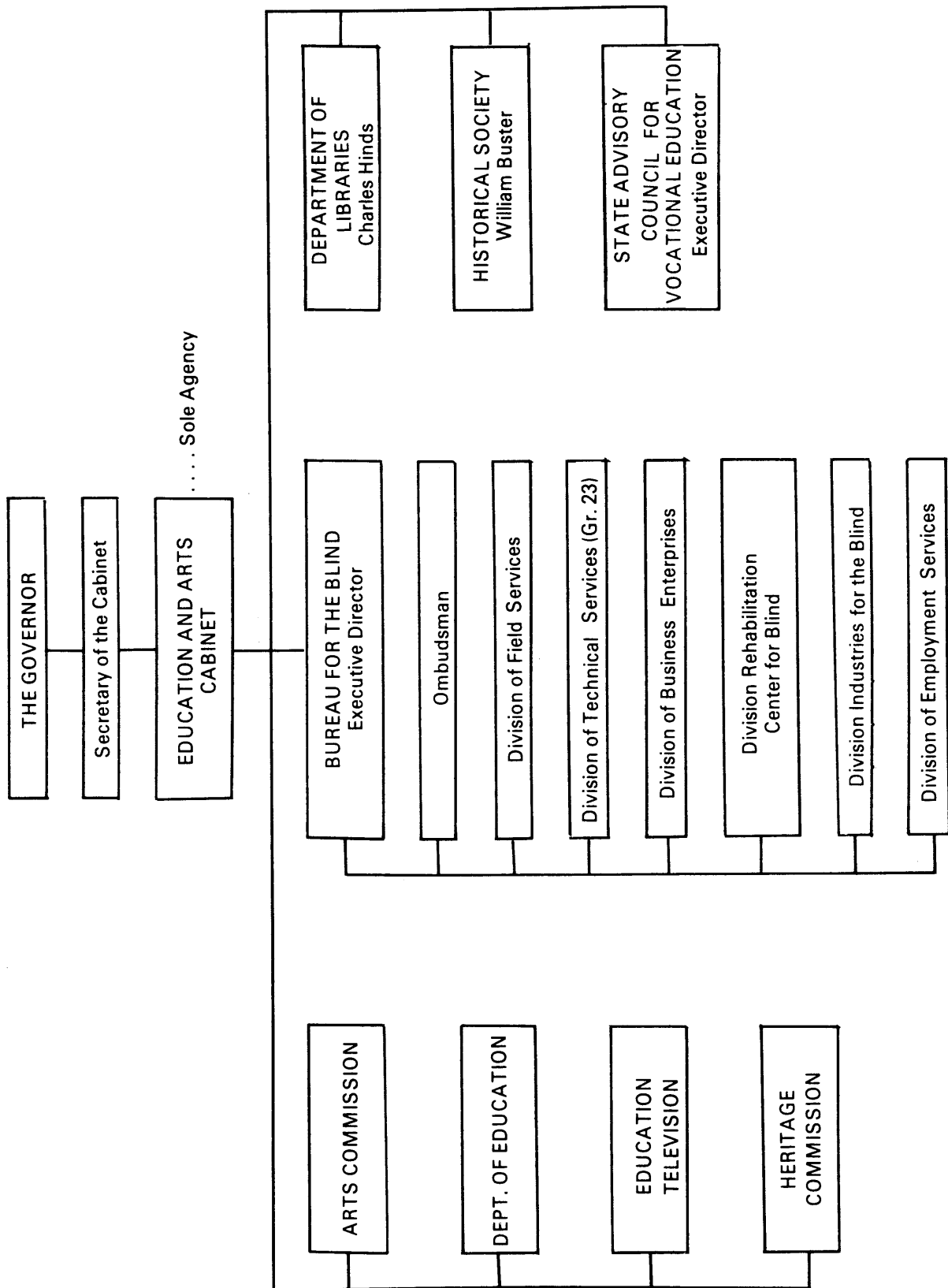
BUREAU FOR THE BLIND  
ORGANIZATIONAL CHART UNDER  
PROPOSED STATE PLAN



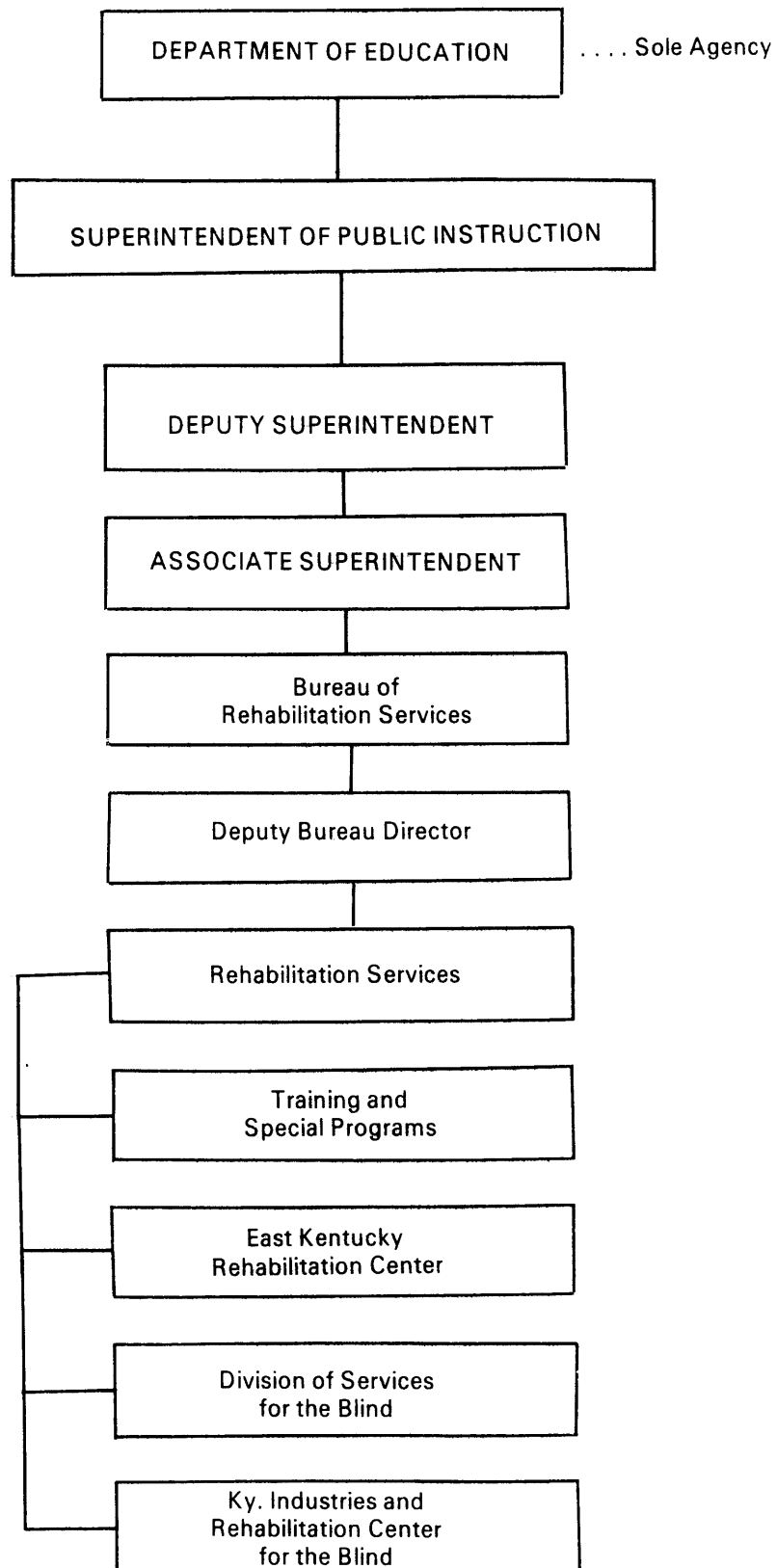
NOTE: Exhibit I shows the organization of the Bureau for the Blind under the proposed State Plan. The attached charts on the organization of the Bureau for the Blind shows how the Bureau stands out in the Education and the Arts Cabinet.



# EDUCATION AND ARTS CABINET ORGANIZATIONAL CHART 1976



DEPARTMENT OF EDUCATION ORGANIZATIONAL CHART 1976  
PRESENT OPERATION





COMMONWEALTH OF KENTUCKY  
OFFICE OF THE ATTORNEY GENERAL  
FRANKFORT

ROBERT F. STEPHENS  
ATTORNEY GENERAL

October 18, 1976

Honorable Wendell P. Butler, Secretary  
The Education and The Arts Cabinet  
Capital Plaza Tower  
Frankfort, Kentucky

Dear Secretary Butler:

This letter is written in response to your written request dated August 18, 1976, in which you requested me as chief state legal officer to certify that you as secretary of the Education and Arts Cabinet are the proper person to administer vocational rehabilitation services for the blind and visually handicapped citizens of the Commonwealth.

For the reasons hereinafter outlined, I hereby certify that your office is the proper agency, and I am enclosing a written certification.

Under House Bill 437 (1976 General Assembly), the Kentucky Legislature attempted to create an effective agency to administer programs for rehabilitation of the blind and visually handicapped citizens of the Commonwealth. At the outset, the enrolled bill, in Section 2 (1) reads, "Bureau means the commission for the blind." An examination of the bill reveals that there is no such entity as the "Commission for the Blind." It does seem reasonable, however, that the use of the word "commission" was a legislative inadvertence, and the word "commission" should be deleted and the word "bureau" should be substituted. As a matter of fact, the Statutory Reviser corrected the error and KRS 163.460 (1) actually reads: "Bureau" means the bureau for the blind." (Emphasis added.) (Bobbs-Merrill, official edition).

The key to the decision made by this office as to what agency is the sole state agency is found in KRS 163.470 (1), (2) and (3) which reads as follows:

"(1) There is created within the education  
and the arts cabinet the bureau for the blind.

"(2) The executive director shall be appointed by the governor upon the recommendation of the secretary of the education and the arts cabinet to whom he shall be directly responsible.

"(3) The bureau shall be the state agency responsible for all rehabilitation services for the blind and the visually impaired and other services as deemed necessary. The bureau shall be the agency authorized to receive all state and federal funds designated for rehabilitation services for the blind and visually impaired. The bureau is, also, authorized to receive gifts and bequests for the benefit of rehabilitation services for the blind and visually impaired."

From a careful reading of this statutory language, the legislature intended to create within the Education and the Arts Cabinet a sub-agency the purpose of which was to administer programs for the blind and visually handicapped. As can be seen, that sub-agency called the Bureau for the Blind is to have an executive director appointed by the governor upon the recommendation of the secretary of the Education and the Arts Cabinet. Section 2 specifically provides that the executive director for the Bureau for the Blind "shall be directly responsible to the secretary."

It is also true that Section 3 provides that the "Bureau" shall be the agency designated to receive state and federal funds. This clearly attempts to give the sub-agency (the Bureau for the Blind) some type of status which is not readily identifiable in the normal state administrative hierarchy. The statute clearly is confusing and inconsistent on this point, and it is the recommendation of this office that it be clarified as quickly as possible. However, because of the fact that the Bureau for the Blind is by statute part and parcel of the Education and the Arts Cabinet; and because the Executive Director of the Bureau for the Blind is "directly responsible to the Secretary", it is the feeling of this office that the secretary is the proper person (state agency) to receive the state and federal funds.


It seems to this office that the General Assembly, while having good intentions in setting up a new and dynamic program, failed to properly identify the proper administrative chain of command, and we, again, urge the General Assembly to clarify this matter.

Secretary Wendell P. Butler  
October 18, 1976  
Page III

If, in fact, the General Assembly intended to create the Bureau for the Blind as a cabinet level agency, or as a separate autonomous agency, statutory clarification is needed.

If you have any further questions, please feel free to contact this office.

Sincerely yours,

  
ROBERT F. STEPHENS  
ATTORNEY GENERAL

RFS:ww  
Enclosure

I hereby certify that the Kentucky Education and the Arts Cabinet is the sole state agency authorized to administer or to supervise the administering of the program for rehabilitation services for the blind and visually handicapped citizens of the Commonwealth of Kentucky by virtue of the authority set forth in KRS Chapter 163.

Richard F. Stephens  
(Signature)

10-18-76  
(Date)

Attorney General  
Name and Title of State Legal Officer

State Kentucky

General Agency

Blind Agency Cabinet of Education and the Arts

Attachment 3.1A  
Effective Date: October 1, 1976

<u>Position Title</u>	<u>Grade &amp; Step</u>	<u>Annual Salary</u>	<u>Number of Positions</u>	<u>Total</u>
V. (Cont'd)				
	Division Total		18 + 2 hrly.	\$168,152
			2.5%	4,204
			13.0%	6,639
		BCBS & Life Ins.		4,782
				<u>\$183,777</u>

*Duplicate*

#### VI. Division of Employment Services

Division Director	23	\$ 18,588	1	\$ 18,588
Administrative Secretary	14	7,716	1	7,716
Rehab. Supervisor II	19	12,576	1	12,576
Senior Clerk Steno	12-3	6,996	1	6,996
Principal Rehab. Counselor	16-5	11,412	1	11,412
Senior Rehab. Counselor	16-1	9,852	6	59,112
Senior Clerk Steno	12-1	6,360	3	19,080
	Division Total		14	<u>\$135,480</u>
			2.5%	3,387
			13.0%	4,393
		BCBS & Life Ins.		3,719
				<u>\$146,979</u>

*Duplicate*

#### VII. Division of Industries for the Blind

Division Director	23	\$ 18,588	1	\$ 18,588
Administrative Secretary	14	7,716	1	7,716
EP Supervisor I	19-3	13,860	1	13,860
Senior Clerk Steno	12	6,360	1	6,360
Home Industry Supervisor	19	12,576	1	12,576
Sales Representative I	16-3	10,344	1	10,344
Talking Book Librarian	12-6	8,112	1	8,112
Rehab. Industries Foreman III	13-5	9,384	3	28,152
Rehab. Industries Foreman II	11-4	6,672	2	13,344
Rehab. Industries Foreman I	8-2	4,980	2	10,960
Foreman	12-3	6,996	1/2	3,498
Light Equipment Operator	8-7	6,360	1	6,360
Senior Accountant	15-5	10,344	1	10,344
Principal Accountant Clerk	12-6	8,112	1	8,112
Principal Clerk Typist	10-6	6,996	1	6,996
Senior Clerk Typist	9-3	5,484	1	5,484
Senior Clerk	9-5	6,048	1	6,048
	Division Total		20	<u>\$176,854</u>
			2.5%	4,421
			13.0%	1,873
				<u>\$200,048</u>
		BCBS & Life Ins.		5,313
				<u>\$205,361</u>
Industry Laborers II	9-2	5,232	10	52,320
Industry Laborers I	8-2	4,980	18	89,640
Laborer I	8-2	4,980	20(pt-time)	49,800
Other Seasonal & Extra Labor				50,700
	Division Total			<u>\$242,460</u>
			13.0%	31,520
		BCBS & Life Ins.		7,439
				<u>\$281,419</u>

Position TitleGrade & StepAnnual SalaryNumber of  
PositionsTotal

## I. Division of Technical Services

Division Director	23	\$ 18,588	1	\$ 18,588
Administrative Secretary	14	7,716	1	7,716
Supervisor (Administrative Off. II)	19	12,576	1	12,576
Senior Steno	12	6,360	1	6,360
Elect. Engineer (Grad.)	21	16,060	1	16,060
Rehab. Instructor II	16-2	9,052	1	9,052
Principal Clerk	10-2	5,760	1	5,760
Senior Rehab. Counselor	16-3	10,344	2	20,688
Senior Clerk Steno	12-4	7,344	2	14,688
Division Total			11	\$113,088
			2.5%	2,827
			13.0%	8,315
BCDS & Life Ins.				2,922
				\$127,152

## IV. Division of Business Enterprises

Division Director	23	\$ 18,588	1	\$ 18,588
Administrative Secretary	14	7,716	1	7,716
Assistant Director	21	15,288	1	15,288
Principal Clerk Steno	13	6,096	1	6,096
Vending Stand Supervisor	15-3	9,384	1	9,384
BEP Supervisor	18-4	13,200	1	13,200
Vending Machine Repairman Supervisor	15-2	8,940	1	8,940
Principal Vending Machine Repair.	13-3	7,716	1	7,716
Senior Vending Machine Repairman	12-5	7,716	4	30,864
Vending Machine Repairman	11-2	6,048	2	12,096
Senior Accountant	15-4	9,852	1	9,852
Principal Clerk Typist	10-5	6,672	2	13,344
Principal Rehab. Counselor	17-3	11,412	1	11,412
Laborer A	8-3	5,232	2	10,464
Senior Rehab. Counselor	16-C	15,288	1	15,288
Division Total			21	\$179,270
			2.5%	4,482
			13.0%	15,430
BCBS & Life Ins.				5,585
				\$204,767

## V. Division of the Rehabilitation Center for the Blind

Division Director	23	\$ 18,588	1	\$ 18,588
Administrative Secretary	14	7,716	1	7,716
Prog. Supervisor I	19	12,576	1	12,576
Senior Clerk Steno	12	6,360	1	6,360
Senior Account Clerk	10-3	6,048	1	6,048
Rehab. Instructor III	17-2	10,872	6	65,232
Rehab. Instructor II	16-3	10,344	2	20,688
Nurse I	14-4	8,940	1	8,940
Res. Aide II	9-3	5,760	2	11,520
Senior Rehab. Counselor	16-1	9,618	1	9,618
Laborer A	8-3	5,484	1 hourly	5,484
Residential Aide	8-2	2.56 hour	1	
Psychiatric Consultant		5,000	1	5,000



<u>Position Title</u>	<u>Grade &amp; Step</u>	<u>Annual Salary</u>	<u>Number of Positions</u>	<u>Total</u>
Senior Counselor (projected)	16-1	\$ 9,384	12	\$112,608
(Add 12 to serve visually impaired)				
Senior Clerk Steno	12-1	6,360	12	76,320
			<u>24</u>	<u>\$188,928</u>
			2.5%	4,723
			13.0%	9,922
		BCBS-Life Ins.		6,376
				<u>\$209,949</u>
		Division Total	60	\$628,013

# House Bill 437 - Staffing Analysis and Implications

## I. Central Administrative and Support Staff:

<u>Position Title</u>	<u>Grade &amp; Step</u>	<u>Annual Salary</u>	<u>Number of Positions</u>	<u>Total</u>
Auditor	21	\$ 15,288	1	\$ 15,288
Executive Director	25-1	22,584	1	22,584
Administrative Secretary	14	7,716	1	7,716
Ombudsman-Pub. Info. Off.	23	18,588	1	18,588
Administrative Secretary	14	7,716	1	7,716
Fiscal Officer	21	15,288	1	15,288
Accountant I (Grad.)	15	8,730	1	8,730
Sr. Accountant Clerk	11	5,760	1	5,760
Senior Clerk	11	5,760	1	5,760
EUD I (Staff Dev. & Personnel Tng.)	21	15,288	1	15,288
Principal Clerk Steno	13	6,996	1	6,996
EUD I (Prog. Dev. & Eval.)	21	15,288	1	15,288
Principal Clerk Steno	13	6,996	1	6,996
Laborer A	8-3	5,232	1	5,232
Administrative Officer II	16	9,618	1	9,618
Principal Clerk	11	5,760	1	5,760
Senior Clerk	9	5,760	1	5,760
Recop. Senior Clerk	9	5,760	1	5,760
Medical Consultant 10%		5,500	1	5,500
Division Total			18 & Dr.	\$189,628
			2.5%	4,740
			13.0%	10,099
				\$204,467
			BCBS-Life Ins.	5,047
				\$209,514

## II. Division of Field Services

Director	23	\$ 18,588	1	18,588
Administrative Secretary	14	7,716	1	7,716
Assistant Director	21	13,338	1	13,338
Principal Clerk Steno	13	7,716	1	7,716
Supervisor	18-5	13,860	3	41,580
Senior Clerk Steno	12-3	7,344	15	110,160
Principal Counselor (Actual)	17-4	11,976	4	47,904
Senior Counselor (Actual)	16-3	10,344	10	103,440
			35	\$350,442
			2.5%	8,761
			13.0%	49,298
			BCBS-Life Ins.	9,563
				\$418,064

(Cont'd next page)

# DIVISION OF SERVICES FOR THE BLIND

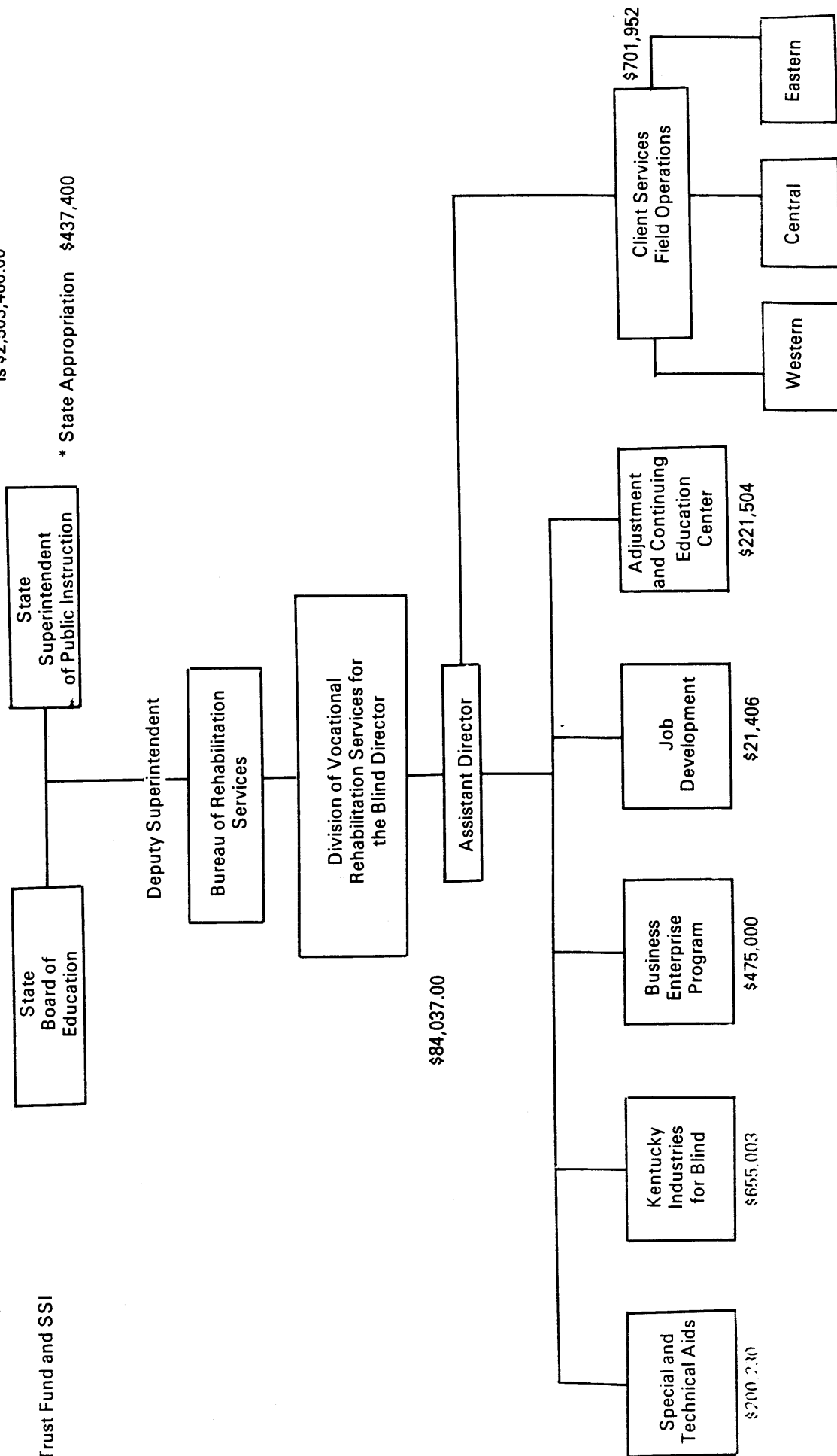
## ORGANIZATION CHART FOR PRESENT OPERATION

TOTAL BUDGET FOR FY 1976-77  
is \$2,503,400.00

Section IV \$154,268

Trust Fund and SSI

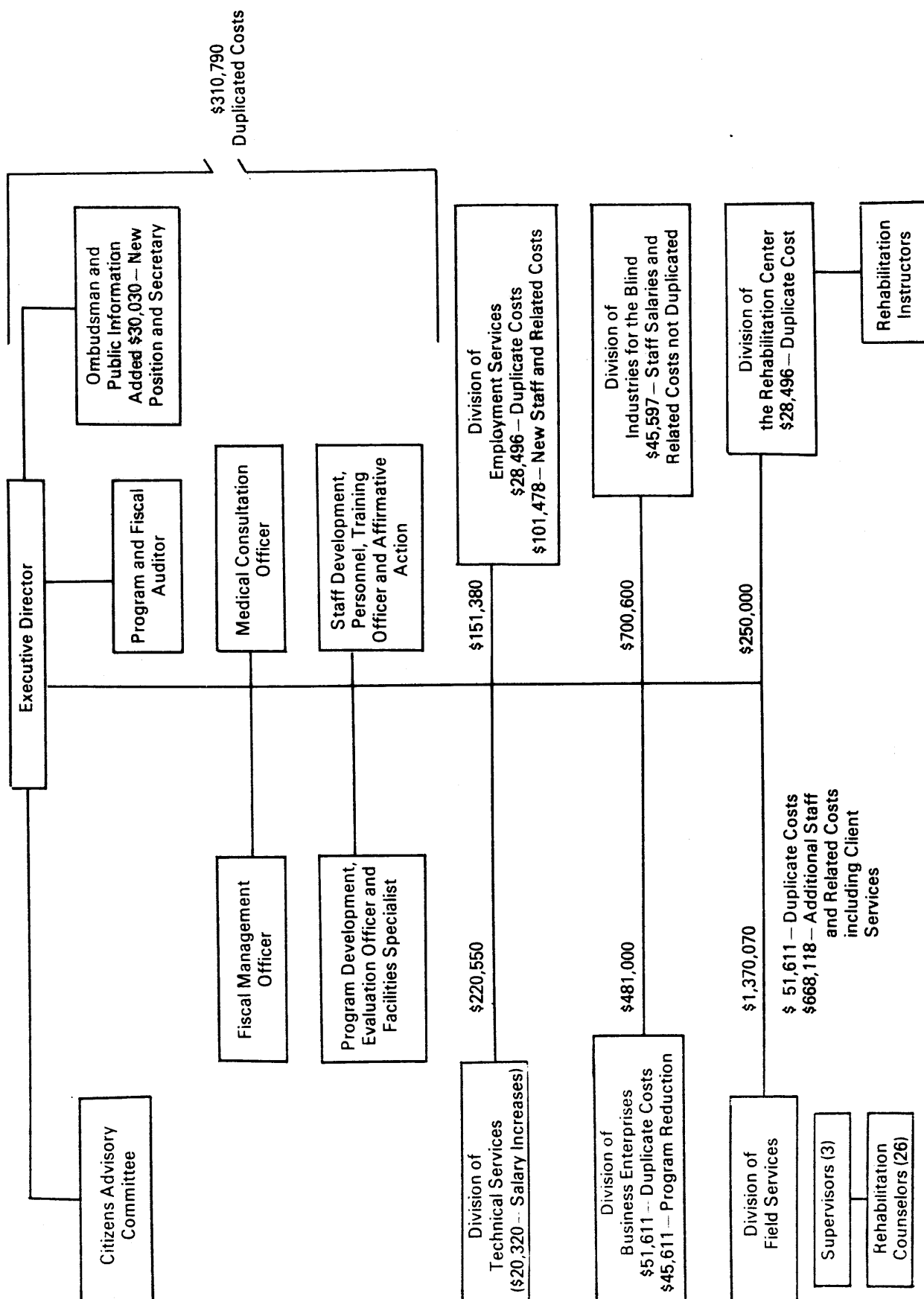
\* State Appropriation \$437,400



\*Includes non-matchable funds for KIB

**Total Budget for FY 1976-77  
is \$3,749,600**

**Section IV**  
**Trust Fund and SSI      \$235,000**



## TRANSFER OF FUNDS

If the Bureau of Rehabilitation Services is required by law to transfer funds in addition to the proportionate share determined by present caseload of the visually impaired and related administration costs, it would cause rehabilitation services to be denied to 1700 plus clients per year and cause the dismissal of 34 professional and clerical staff, without any appreciable increase in direct caseload counseling services to the blind and visually impaired.



## APPENDIX D

FEDERAL FUNDS ALLOCATED TO SEPARATE STATE AGENCIES FOR THE BLIND,  
TOTAL ALLOCATIONS AND ALLOCATIONS TO THE BLIND AS PERCENTAGES OF  
TOTAL FEDERAL REHABILITATION ALLOCATIONS, FY 1979





FEDERAL FUNDS ALLOCATED TO SEPARATE STATE AGENCIES FOR THE BLIND,  
TOTAL ALLOCATIONS AND ALLOCATIONS TO THE BLIND AS PERCENTAGES OF  
TOTAL FEDERAL REHABILITATION ALLOCATIONS, FY 1979

State	Total Dollars			Percent					Dollars			
	110	SSDI	SSI	I & E	110	SSDI	SSI	I & E	110	SSDI	SSI	I & E
Connecticut	7,017,813	933,824	381,511	239,673	13	20	20	20	91,231	18,676	76,302	47,934
Delaware	2,000,000	193,191	137,985	50,000	15	20	10	15	300,000	38,638	13,799	7,500
Florida	29,138,423	3,616,566	1,470,860	647,154	17	15	15	17	4,953,532	542,485	220,629	110,016
Idaho	3,344,923	74,810	253,797	63,500	11	20	33	0	367,942	14,962	83,753	-
Iowa	9,036,986	889,159	437,241	222,229	19	14.5	18.8	0	1,717,027	128,928	82,201	-
Kansas	7,200,397	626,387	299,459	175,553	12	37	21	12	864,047	231,763	62,886	21,066
Kentucky	15,919,071	1,673,173	584,196	262,982	9.3	12.8	12.8	0	1,496,392	214,166	74,777	-
Massachusetts	18,212,747	1,830,091	1,449,948	451,312	15	15	15	15	2,731,912	274,513	217,492	54,157
Michigan	26,886,001	3,516,902	1,362,101	709,105	9	16	16	9	2,419,740	562,704	217,936	63,819
Minnesota	13,303,546	1,023,810	911,052	304,024	18	25	18	18	2,394,638	255,952	163,989	54,724
Mississippi	13,402,867	1,285,087	847,118	181,671	21	21	21	21	2,814,602	269,868	177,894	38,150
Missouri	18,198,853	1,936,889	473,461	368,840	10	10	10	10	1,819,885	193,689	47,346	36,884
Montana	2,886,498	252,858	270,631	57,924	15	15	15	21.6	432,974	37,928	40,594	12,511
Nebraska	5,032,964	405,973	375,019	119,720	15.5	15.5	15.5	15.5	780,109	62,925	58,127	18,556
New Jersey	18,376,436	2,662,756	1,064,992	566,541	20	20	20	20	3,675,287	532,551	212,998	113,308
New York	47,714,258	6,735,835	3,311,280	1,403,188	16	16	16	16	7,634,281	1,077,733	529,804	224,510
North Carolina	24,464,797	2,583,760	1,389,216	422,118	20	20	20	20	4,892,959	516,752	277,843	84,423
Oregon	8,109,804	919,950	592,571	177,180	8	7.13	7.13	10	648,784	64,396	41,479	3,543
Pennsylvania	39,945,506	4,762,910	2,150,118	915,866	9.2	17.5	9.2	9.23	595,095	833,509	193,510	82,427
Rhode Island	3,264,733	386,329	185,499	71,786	15	15	15	0	489,709	57,949	27,824	-
South Carolina	13,905,312	1,389,183	942,250	218,222	13	13	13	13	1,807,690	180,593	122,492	28,368
Tennessee	19,262,815	2,100,049	750,810	324,313	20	20	20	20	3,852,563	420,009	150,162	64,862
Texas	46,756,113	3,918,862	2,306,388	947,616	20	20	20	20	9,351,222	783,772	461,277	189,523
Utah	5,559,165	247,862	125,000	93,391	4.7	10	27	0	2,612,807	24,786	33,750	-
Vermont	2,123,949	179,028	125,000	50,000	10	10	0	0	212,394	17,902	-	-
Virginia	17,499,157	1,821,384	876,456	384,638	12.5	13.6	13.6	12.52	187,394	247,708	119,198	48,079
Washington	11,079,348	1,250,152	2,084,349	274,442	11	5.2	11	11	1,218,728	65,007	208,434	30,188

NATIONAL AVERAGES

110	SSDI	SSI	I & E
14.1	16.4	15.5	12.1

SOURCE: U.S. Department of Health, Education and Welfare, Rehabilitation Services Administration, Washington, D.C.

FEDERAL FUNDS ALLOCATED TO SEPARATE STATE AGENCIES FOR THE BLIND,  
TOTAL ALLOCATIONS AND ALLOCATIONS TO BLIND SERVICES AGENCIES AS PERCENTAGES OF  
TOTAL FEDERAL REHABILITATION ALLOCATIONS, FY 1979

State	Total Dollars			Percent				Dollars		
	110	SSDI	SSI	I & E	110	SSDI	SSI	I & E	SSDI	SSI
Florida	29,138,423	3,616,566	1,470,860	647,154	17	15	15	17	4,953,532	542,485
Mississippi	13,402,867	1,285,087	847,118	181,661	21	21	21	21	2,814,602	269,868
North Carolina	24,464,797	2,583,760	1,389,216	422,118	20	20	20	20	4,892,959	516,752
South Carolina	13,905,312	1,389,183	942,250	218,222	13	13	13	13	1,807,690	180,593
Tennessee	19,262,815	2,100,049	750,810	324,313	20	20	20	20	3,852,563	420,009
									150,162	64,862

FISCAL YEAR 1978-79

FUNDS ALLOCATED TO KENTUCKY

BUREAU FOR THE BLIND

State	Total Dollars			Percent				Dollars		
	110	SSDI	SSI	I & E	110	SSDI	SSI	I & E	SSDI	SSI
Kentucky	15,919,071	1,673,173	584,196	262,982	9.3	12.8	12.8	0	1,496,392	214,166
									74,777	-

REGION IV AVERAGE PERCENTAGE SPLIT

110	SSDI	SSI	I & E
18.2	17.8	17.8	18.2

SOURCE: U.S. Department of Health, Education and Welfare, Rehabilitation Services Administration,  
Washington, D.C.

## APPENDIX E

### SERVICE AND COST COMPARISON DATA FOR KENTUCKY AND OTHER STATES IN U.S. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE REGION IV HAVING SEPARATE AGENCIES PROVIDING BLIND SERVICES



LENGTH OF TIME THAT CURRENT REHABILITATION CLIENTS HAD BEEN RECEIVING SERVICES  
AS OF FY 1978, IN FEDERAL REGION IV STATES  
HAVING SEPARATE BLIND SERVICE AGENCIES

	KY (BFB)	FLA	MISS	N.C.	S.C.	TENN
(Number Total Persons)	114	199	138	275	121	98
%	100					
Less than 1 Mo.	6	41	17	6	6	29
%	5.3	20.6	12.3	2.2	5.0	29.6
1 Month (No.)	5	1	11	21	12	4
%	4.4	.5	8.0	7.6	9.9	4.1
2 Months (No.)	3	5	8	21	3	8
%	2.6	2.5	5.8	7.6	2.5	8.2
3 Months (No.)	3	4	17	17	7	9
%	2.6	2.0	12.3	6.2	5.8	9.2
4 Months (No.)	6	11	16	11	10	7
%	5.3	5.5	11.6	4.0	8.3	7.1
5 Months (No.)	6	7	10	11	6	4
%	5.3	3.5	7.2	4.0	5.0	4.1
6-9 Mo. (No.)	13	33	21	44	23	7
%	11.4	16.6	15.2	16.0	19.0	7.1
10-12 Mo. (No.)	7	13	5	39	12	1
%	6.1	6.5	3.6	14.2	9.9	1.0
13-18 Mo. (No.)	12	19	8	26	13	8
%	10.5	9.5	5.8	9.5	10.7	8.2
19-24 Mo. (No.)	5	10	8	29	8	2
%	4.4	5.0	5.8	10.5	6.6	2.0
25-36 Mo. (No.)	12	27	5	17	5	10
%	10.5	13.6	3.6	6.2	4.1	10.2
37-48 Mo. (No.)	15	9	4	12	9	2
%	13.2	4.5	2.9	4.4	7.4	2.0
49-60 Mo. (No.)	8	6	7	13	2	4
%	7.0	3.0	5.1	4.7	1.7	4.1
61-84 Mo. (No.)	12	11	1	7	3	2
%	10.5	5.5	.7	2.5	2.5	2.0
85 & Over (No.)	1	2	0	1	2	1
%	.9	1.0	0	.4	1.7	1.0
Client Mos.	2,940	3,526	1,336	4,333	1,824	1,170
Mos. Per Client	25.8	17.7	9.7	15.8	15.1	11.9

SOURCE: U.S. Department of Health, Education and Welfare, Rehabilitation Services Administration, Washington, D.C.

LENGTH OF TIME THAT CURRENT BLIND CLIENTS HAD BEEN RECEIVING SERVICES AS OF FY 1978,  
IN FEDERAL REGION IV STATES HAVING SEPARATE BLIND SERVICE AGENCIES.

	(Number Total Persons)	KY (BFB)	FLA.	MISS.	N.C.	S.C.	TENN.
		224	558	468	983	332	243
%		100	100	100	100	100	100
1 Month (No.)			3				
%		.0	.5	.0	.0	.0	.0
2 Months (No.)			1				1
%		.0	.2	.0	.0	.0	.4
3 Months (No.)			8		4	3	1
%		.0	1.4	.0	.4	.9	.4
4 Months (No.)			5	5	5	6	1
%		.0	.9	1.1	.5	1.8	.4
5 Months (No.)		.5	12	9	17	10	
%		2.2	2.2	1.9	1.7	3.0	.0
6 Months (No.)		5	12	18	21	19	1
%		2.2	2.2	3.8	2.1	5.7	.4
7-9 Mo. (No.)		24	72	54	76	49	19
%		10.7	12.9	11.5	7.7	14.8	7.8
10-12 Mo. (No.)		26	75	80	87	39	39
%		11.6	13.4	17.1	8.9	11.7	16.0
13-18 Mo. (No.)		54	110	108	122	60	57
%		24.1	19.7	23.1	12.4	18.1	23.5
19-24 Mo. (No.)		21	79	55	133	43	35
%		9.4	14.2	11.8	13.5	13.0	14.4
25-36 Mo. (No.)		32	77	70	238	36	48
%		14.3	13.8	15.0	24.2	10.8	19.8
37-48 Mo. (No.)		15	49	39	152	31	17
%		6.7	8.8	8.3	15.5	9.3	7.0
49-60 Mo. (No.)		14	19	11	73	14	8
%		6.3	3.4	2.4	7.4	4.2	3.3
61-84 Mo. (No.)		22	29	17	43	15	9
%		9.8	5.2	3.6	4.4	4.5	3.7
85 or More (No.)		6	7	2	12	7	7
%		2.7	1.3	.4	1.2	2.1	2.9
Client Mos.		6,273	13,142	10,138	28,395	7,735	13,839
Per Mo./Per Client		28.0	23.6	21.7	28.9	23.3	57.0

SOURCE: U.S. Department of Health, Education and Welfare, Rehabilitation Services Administration, Washington, D.C.

COST OF SERVICES BY CASE,  
STATES IN FEDERAL REGION IV HAVING SEPARATE BLIND SERVICE AGENCIES,  
FY 1978

	KY (BFB)	FLA	MISS	N.C.	S.C.	TENN
(Number Total Persons) %	227 100	578	469	998	344	246
No Cost (No.) %	21 9.3	1 .2	2 .4	15 1.5	5 1.5	2 .8
\$1 - \$99 (No.) %	41 18.1	50 8.7	46 9.8	96 9.6	65 18.9	25 10.2
\$100-\$199 (No.) %	29 12.8	46 8.0	58 12.4	72 7.2	69 20.1	25 10.2
\$200-\$299 (No.) %	11 4.8	41 7.1	38 8.1	52 5.2	29 8.4	22 8.9
\$300-\$399 (No.) %	10 4.4	28 4.8	26 5.5	59 5.9	17 4.9	13 8.3
\$400-\$499 (No.) %	5 2.2	22 3.8	19 4.1	55 5.5	18 5.2	6 2.4
\$500-\$599 (No.) %	3 1.3	19 3.3	16 3.4	42 4.2	12 3.5	8 3.3
\$600-\$799 (No.) %	14 6.2	32 5.5	32 6.8	82 8.2	16 4.7	24 9.8
\$800-\$999 (No.) %	9 4.0	33 5.7	17 3.6	58 5.8	10 2.9	8 3.3
\$1000-\$1499 (No.) %	24 10.6	74 12.8	45 9.6	116 11.6	27 7.8	26 10.6
\$1500-\$1999 (No.) %	7 3.1	45 7.8	39 8.3	77 7.7	17 4.9	20 8.1
\$2000-\$2999 (No.) %	20 8.8	68 11.8	43 9.2	104 10.4	18 5.2	26 10.6
\$3000-\$3999 (No.) %	6 2.6	42 7.3	22 4.7	30 3.0	8 2.3	14 5.7
\$4000-\$4999 (No.) %	5 2.2	16 2.8	18 3.8	30 3.0	3 .9	3 1.2
\$5000-\$9999 (No.) %	14 6.2	43 7.4	27 5.8	52 5.2	17 4.9	13 5.3
\$10000-Over %	8 3.5	18 3.1	21 4.5	58 5.8	13 3.8	11 4.5
TOTAL	\$354,800	\$1,164,650	\$887,150	\$1,956,450	\$461,200	\$448,650
COST PER CASE	\$1,563	\$2,015	\$1,892	\$1,960	\$1,341	\$1,824

SOURCE: U.S. Department of Health, Education and Welfare, Rehabilitation Services Administration, Washington, D.C.





## APPENDIX F

### U.S. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE GUIDELINES FOR FEDERAL FINANCIAL PARTICIPATION AND USE OF SET ASIDE FUNDS

DEPARTMENT OF  
HEALTH, EDUCATION, AND WELFARE  
Vocational Rehabilitation Administration  
Washington, D. C. 20201

February 7, 1966

GUIDELINES

Federal Financial Participation and Use of Set Aside Funds  
Vending Stand Program Under the Randolph-Sheppard Act and Business  
Enterprises Program for the Blind and Other Severely Handicapped  
Under the Vocational Rehabilitation Act

The information contained in this guide has been compiled from the Vocational Rehabilitation Act and its Rules and Regulations; the Randolph-Sheppard Vending Stand Act, as Amended, and its Regulations; policy statements made by the Vocational Rehabilitation Administration; letters and memorandum interpreting specific questions concerning expenditures for controlled vending stand or small business enterprise programs in the States.

The purpose of the document is to summarize expenditures which may be made for the vending stand program as provided by the Randolph-Sheppard Act, as well as outlining items which are not permitted under the Randolph-Sheppard Act or for Federal matching under the Vocational Rehabilitation Act.

The material is organized in five sections:

1. Definition of terms.
2. Expenditures for controlled vending stand programs under Section 11(a)(7) of Public Law 565.
3. Expenditures made by the State vending stand programs from set aside funds which are eligible for Federal matching.
4. Expenditures made from set aside funds which are not eligible for Federal matching.
5. Expenditures for which set aside funds collected under the provisions of the Randolph-Sheppard Act cannot be used.

1. Definition of Terms

a. The term "vending stand" because of its use in the Randolph-Sheppard Vending Stand Act is customarily used to describe a retail vending operation established under the authority of that Act. The term "small business enterprise" is generally used to describe a vending stand or other type of business operation under the management and supervision of the State agency which has been equipped and stocked with Federal financial participation under Section 11(a)(7) of the Vocational Rehabilitation Act. There is no hard and fast distinction between the two terms.

b. "Vending stand" means

(1) Such shelters, counters, shelving, displays and wall cases, refrigerating apparatus, and other appropriate auxiliary equipment as are necessary for the vending of such articles as may be approved by the licensing agency and the Federal department or agency having control of the maintenance, operation, and protection of Federal property or person in the control of other property; and

(2) Manual or coin-operated vending machines or similar devices for vending such articles.

c. "Set aside" means funds collected from licensed operators to cover program costs as set forth in Section 403.8 of the Regulations Governing the Vending Stand Program for the Blind Under the Randolph-Sheppard Act:

"The rules and regulations of the licensing agency shall specify the extent to which funds are to be set aside or caused to be set aside from the proceeds of the operation of the vending stands and that in no case will the amounts to be set aside exceed a reasonable amount as determined by the Director. Funds may be set aside only for the purposes of:

- (a) Maintenance and replacement of equipment;
- (b) The purchase of new equipment;
- (c) Management services;
- (d) Assuring a fair minimum of return to operators of vending stands;

and the rules and regulations of the licensing agency shall set out the method of determining the charge for each of the above listed purposes. Such method will be designed to prevent, so far as is practicable, a greater charge for any purpose than is reasonably required for that purpose. The rules and regulations shall further provide that adequate records will be maintained to support the reasonableness of the charges for each of the purposes listed in this section."

d. Equipment

- (1) Equipment is characterized by having a relatively long life and the capacity to be used repeatedly to furnish a series of services. Typical examples are such items as coffee urns, grills, refrigerators, counters, tables, and chairs. Less typical equipment might include such varied items as shelters, woodworking equipment, or sewer pipe. Transportation charges, temporary storage and installation of new equipment should be assigned as part of the acquisition cost.
- (2) Replacement of equipment. Replacement of equipment means the total replacement of a single piece of equipment as a unit-- For example, the purchase of a new refrigerator. A number of units of equipment for a single stand location may be purchased as replacement equipment at one time. A portion or a part of a piece of equipment, i.e., a refrigerator motor, may not be considered as replacement equipment but must be charged as maintenance and repair. Counters may be replaced in total, but the installation of a new glass or refinishing of surfaces should be considered maintenance and repair.

- e. Shelters. To be considered as part of the equipment of an enterprise, the shelter furnished to house the undertaking must be one "customarily furnished by the operator of a like undertaking occupying premises under a short-term lease." This is a limitation which must be applied in all cases, even though the client or agency may have a long-term lease or may even own the land. Under such a limitation, it obviously would not be usual or reasonable for the undertaking to furnish a shelter unless it could be moved or reused with a minimum of loss. This means that the structure (unless of insignificant cost) must be portable, i.e., easily dismantled and reassembled (when necessary) and moved along the public roads by truck.
- f. "Initial stock" includes all types of merchandise necessary for the establishment of the new business enterprise. Initial stock should be interpreted as items purchased for the purpose of marketing to customers. In a major expansion of a vending stand location or a change in the nature of the stand (such as changing a dry stand to a wet location) new items not previously carried on the stock inventory but now considered necessary or desirable for the location can be considered initial stock.
- g. Management services. For purposes of the setting aside of funds, "management services" are limited to necessary supervisory and inspection services, accounting services, and assistance with merchandising, display, and other techniques and practices to improve the operation of the vending stands.

NOTE: Effective July 1, 1966, and in accordance with the approved State Plan, Federal financial participation will be available in expenditures for management services and supervision.

- h. Guaranteeing a fair minimum return to operators. Guaranteeing a fair minimum return to operators means assuring a reasonable and uniform income to all operators under like circumstances.

2. Expenditures for Controlled Vending Stand Programs Under Section 11(a)(7) of Public Law 565

Section 11(a)(7) of the Vocational Rehabilitation Act, as amended, and Section 401.42 of the Regulations provide for Federal financial participation in expenditures for the acquisition of vending stands or other equipment and initial stocks and supplies for the use of severely handicapped individuals in any type of small business, the operation of which will be improved through management and supervision by the State agency. If the approved State Plan provides for a business enterprises program for the severely handicapped as set forth in Section 401.33 of the Regulations, Federal financial participation is available in expenditures for:

- a. The initial equipment of vending stands and other small businesses;
- b. The replacement of equipment in vending stands or other businesses under the program; and
- c. The acquisition of initial stock for vending stands and other small businesses.

In a State agency managed business enterprises program, Federal reimbursement is available for State agency expenditures that can be considered a necessary part of the acquisition of vending stands or of such other apparatus, fixtures or accessories as constitute appropriate equipment for the enterprise. These expenditures may include, besides the purchase price of the stand or equipment, transportation and installation costs, and any necessary storage charges in the event that, for a limited period such items cannot be put to immediate use in a specific location.

Once vending stand equipment has been set up for a particular undertaking, its "acquisition" has been completed. Accordingly, any subsequent costs incurred in connection with storing such equipment or moving it from one location to another are attributable to expenses of management, and Federal financial participation in such expenditures is not available. (See NOTE, page 3.)

When the State agency's business enterprises program acquires a vending stand, Federal financial participation in the acquisition covers the cost of articles of equipment as well as costs of their construction, delivery, and installation. These articles include counters, shelving, display and wall cases, refrigerating apparatus, urns, appliances, and other equipment necessary to operate the stand.

The basic criterion for Federal participation in the costs of shelters is that the shelter be one which a tenant rather than a landlord would

usually be expected to furnish under a short-term lease. Therefore, unless of insignificant cost, the shelter must not become so identified with the realty that it cannot be economically moved or reused. In addition, its cost must be proportionate to the total investment in the enterprise and the anticipated return on that investment.

With respect to shelters for carrying out vending operations, whether on public or private property, the undertaking must either be contingent upon the utilization of a particular location, the owner of which does not furnish a shelter, or be so located that specialized housing can be considered as appropriate equipment for the undertaking.

In the case of each type of shelter for which Federal reimbursement is to be claimed, there must be adequate and authoritative documentation in the record, supporting the fact that the shelter provided is one which would be customarily furnished by the leasee-operator under comparable circumstances.

In order to insure the availability of Federal participation in expenditures for shelters, special justification should be maintained by the State agency, and prior approval should be secured from the Vocational Rehabilitation Administration, in all instances where a shelter for a vending stand is to have an interior floor area greater than 280 square feet.

**Acquisition of existing vending stands.** If a vending stand has been operated outside of the controlled program with ownership of both stock and equipment vested in the operator, the State agency may bring the stand under the controlled program and vest title to the equipment and to the value of the stock in the State agency. Under these circumstances, Federal financial participation is available in expenditures for the acquisition of the vending stand equipment and for the acquisition of initial stocks of merchandise.

**Stocking existing vending stands.** A situation may arise where a vending stand has been operated under the controlled program with ownership of equipment vested in the State agency but with the stock of merchandise owned by the operator. The operator is being transferred to a new stand. A stock of merchandise, title of which is to be retained by the State agency, may be furnished (for the stand from which the operator is being transferred) with Federal financial participation for such expenditures.

With respect to acquisition of initial stock when a vending stand is remodeled, availability of Federal financial participation depends on whether or not there is a change in the character of the stand. If a dry stand is re-equipped and continued as a dry stand, no Federal financial participation is available in the new stock even though a greater volume of stock may be required. On the other hand, if a dry stand is remodeled so as to provide for the sale of coffee, soft drinks, and canned soups, the new types of merchandise may be considered as initial stock for reimbursement purposes.

Under the Federal Act and Regulations, there is no requirement that persons placed in such vending stands or small businesses be in economic need. This point, of course, is one for each State to decide for itself.

Thus far, the summary relating to Federal financial participation applies to a State agency managed and supervised vending stand or small business enterprises program. It does not apply to vending stand or other equipment, tools, initial stocks and supplies furnished to rehabilitation clients under Section 11(a)(5) of the Act where management and supervisory services are not provided by the State agency. In this latter situation, Federal financial participation is not available for the replacement of equipment and tools as such.

3. Expenditures Made by the State Vending Stand Programs from Set Aside Funds which are Eligible for Federal Matching

It is the practice of many State agencies which operate vending stand programs for the blind or small business enterprise programs for the blind and other severely handicapped persons to set aside funds from the operation of these businesses. These funds may be expended by the State agency for program purposes set forth in the State Plan. If under State law these "set aside" funds are available to the State agency for expenditure, they can be considered just as other State funds in earning Federal financial participation in appropriate expenditures made in accordance with the State Plan.

It is important to differentiate between the requirements of the vending stand program for the blind on Federal and other property, conducted under the authority of the Randolph-Sheppard Act, and the small business enterprises program for the blind and other severely handicapped individuals conducted pursuant to Section 11(a)(7) of the Vocational Rehabilitation Act, as amended.

The Randolph-Sheppard Act grants a preference to blind persons licensed by the State agency for the operation of vending stands on Federal property. As a condition to this preference, the Act also establishes requirements governing the operation of vending stands on Federal property and on other property if the stand was established with funds derived from stands located on Federal property. The Randolph-Sheppard Act itself does not make Federal funds available to assist the State agency in the cost of establishing vending stands. Federal financial participation in the establishment of vending stands operated under the Randolph-Sheppard Act is available through the small business enterprises program for the blind and other severely handicapped pursuant to Section 11(a)(7) of the Vocational Rehabilitation Act, as amended, if the State program is so set up that it also meets the requirements of that Section 11(a)(7).

Among the requirements of the Randolph-Sheppard Act relating to stands established under its authority is that governing the setting aside of funds. This provides that funds set aside from the operation of vending stands under the Randolph-Sheppard Act may be used only for the following purposes: The purchase of new equipment, the replacement of equipment, the maintenance and repair of equipment, the provision of management services, and guaranteeing a fair minimum return to operators. "Set aside" funds may not be used for any other purposes. Only two of the five purposes for which funds may be set aside under the Randolph-Sheppard Act are eligible for Federal financial participation under the Vocational Rehabilitation Act, as amended. These are purchases of new equipment and the replacement of equipment.

Subject to conditions specified in the first paragraph of this section expenditures from "set aside" funds for these two purposes could be considered as expenditures of State funds for matching purposes if the expenditures are under the approved State vocational rehabilitation plan provisions for small business enterprises.

It is also important to note that Federal financial participation is available in certain types of expenditures for which funds may not be set aside under the Randolph-Sheppard Act. These are the purchase of initial stocks and supplies for vending stands, the training of operators prior to placement on vending stands, and administrative costs incidental to the securing of new vending stand locations.

4. Expenditures Made from Set Aside Funds which are not Eligible for Federal Matching

- a. Maintenance and repair of equipment. Maintenance and repair of equipment would include the purchase of a new part for an item of equipment, such as a motor for a drink box. It may also include the refinishing and repainting of counters and shelving.
- b. Management services. For purposes of the setting aside of funds, "management services" are limited to necessary supervisory and inspection services, accounting services, and assistance with merchandising, display, and other techniques and practices to improve the operation of the vending stands. (See NOTE, page 3.)
- c. Guaranteeing a fair minimum return to operators. Guaranteeing a fair minimum return to operators means assuring a reasonable and uniform income to all operators under like circumstances. For example: A higher set aside rate may be established for high income stands, the funds resulting from this higher rate would be used to raise the income of all operators up to a prescribed minimum.



5. Expenditures for which Set Aside Funds Collected Under the Provisions of the Randolph-Sheppard Act Cannot be Used

The following types of expenditures do not fall within the definition of management services, hence set aside funds cannot be used for them:

- a. The provision of food hazard and public liability insurance. Expenditures for these types of insurance should be charged to each vending stand as an operating expense. A blanket policy may be obtained and prorated on an equitable basis to each stand.  
  
(With respect to insurance, it should be noted that fire and theft and other protective insurance on equipment owned by the State agency can be charged to funds set aside for equipment.)
- b. Workmen's compensation insurance, retirement insurance, and health and hospital insurance for operators and their employees or assistants. Expenditures made for such purposes must be made from the net profits to the operator.
- c. Salaries or wages for assistants, including emergency relief operators, vacation substitute operators, or any other personnel used by the licensed operator in carrying on the business of his stand. These expenditures should be charged as an operating expense to each location. Expenditure for insurance on assistants or employees should be similarly charged.
- d. Social security taxes for licensed operators. These expenditures should be charged to the net profits of each operator.
- e. Social security taxes on assistants or other vending stand employees. These expenditures should be charged as an operating expense to each stand.
- f. Rental of space and utilities. These expenditures should be charged as an operating expense to each stand.
- g. Exterminating services or pest control. These expenditures should be charged as an operating expense to each stand.
- h. Delivery of merchandise. This expenditure should be charged as an operating expense or as a cost of merchandise.
- i. Janitorial services and supplies. These expenditures should be charged as an operating expense to each stand.
- j. Petty cash. There is no authority in the Federal Act or Regulations for Federal financial participation in the provision, as a rehabilitation service, of a petty cash fund for operating a vending stand. (In fact, language specifically authorizing capital advances for vending stand operators was deleted from the original House Bill by the Senate-House conferees.)

- k. Good Will. Under Section 11(a)(7) of the Vocational Rehabilitation Act and Section 401.42 of the Vocational Rehabilitation Regulations, Federal financial participation under a controlled program is only available in the acquisition of equipment, initial stocks, and supplies. Hence, reimbursement would not be available for the purchase of "Good Will."
- l. Replacement of depleted stock. Where the State agency retains title to stocks of merchandise, replacement of stock depleted below the original inventory would not be subject to Federal financial participation and cannot be charged to set aside funds. Either State or private funds must be used for the replacement of depleted stock.
- m. Set aside funds established before 1955. Prior to July 1, 1955, the effective date of the amendments to the Randolph-Sheppard Act, funds set aside from the operation of vending stands could be used for any program purpose. If funds set aside prior to that time have been held in a separate fund or are readily severable from funds set aside subsequent thereto, they may be used for such purposes as provision of a petty cash fund, furnishing initial stock, replenishing stock, or other program purposes for which set aside funds may not now be used.

There is nothing to prevent the operators from voluntarily joining together to request the State agency or the nominee agency to provide any of the types of services mentioned above to the group as a whole and to reimburse the State agency or the nominee agency on an equitable basis for the cost of these services. The important thing is that the decision of each operator to participate in any such cost-sharing arrangement is one which he must have the right to make freely. For example, the State agency may require that each vending stand use exterminating or pest control services. As operator must have the freedom to elect whether or not to contract for this service himself and pay for it as an operating expense or to have it done by the nominee agency and pay his pro rata share.

## **APPENDIX G**

### **HISTORICAL DEVELOPMENT OF SERVICES TO THE BLIND IN KENTUCKY**



In 1842 the Commonwealth of Kentucky appropriated \$10,000 to establish the Kentucky School for the Blind, which was among the first six such schools in the United States. Many of the early services to the blind originated at that institution. Following a fire in the building it occupied in 1851, the school was provided temporary facilities by the University of Louisville. A few years later it moved to its permanent residence at 1867 Frankfort Avenue in Louisville.

A printing house for the blind, which began operation in 1860, soon became one of the leading printing facilities for the blind, serving blind readers in Kentucky and throughout the nation. The printing house became a state-sponsored facility in 1866, the year in which it also got its first federal financial support. It became independent from the School for the Blind in 1878.

The Business Enterprises Program, which is the program establishing blind persons as vending facilities operators, was initiated by the School for the Blind in 1933. The Kentucky Society for the Blind began administering this program in 1948, but that society was dissolved in the early fifties and the Business Enterprises Program was transferred to the Bureau of Rehabilitation Services. It was transferred to the present Bureau for the Blind when the latter was established in 1976.

It was not until the early forties, however, that the first counselor, or case specialist, and a supervisor were hired by the state to provide personal counseling and related services to the blind. With the hiring of two more counselors in 1952 and the establishment of a Division for Blind Services as part of the Bureau of Rehabilitation Services, services to the blind began to develop into their present form.

At the same time a parallel development took place. In 1945 a first job placement specialist was hired by the Bureau of Rehabilitation Services; a second was hired in 1946. Their functions were primarily to contact industries to identify positions which could be filled by blind persons. These specialists had to overcome the prevailing skepticism about the capabilities of the blind. In 1952 this function also became part of the new Division for Blind Services within the Bureau of Rehabilitation Services.

Another enterprise which was initiated by the School for the Blind was the Kentucky Workshop for Adult Blind (1918), which later became the Kentucky Industries for the Blind.

Training blind persons for gainful employment started as early as the mid-forties, when the School for the Blind began a series of summer workshops to train blind persons in marketable skills. This summer program was continued until the early fifties.

It was the enactment of the Rehabilitation Act of 1973 (P.L. 93-112) which gave services to the blind its present form. Services to the blind were delivered by the Bureau of Rehabilitation Services from 1952 until 1976, when the Kentucky General Assembly enacted H.B. 437, which was later codified as KRS 163.450 to 163.470. The Bureau for the Blind became fully operational in Fiscal Year 1977.



**APPENDIX H**

**RESPONSE OF THE BUREAU FOR THE BLIND**





## INTRODUCTION

The Bureau for the Blind wishes to express gratification to the Committee for Program Review and Investigation of the Kentucky General Assembly for its interest in helping to provide more effective and efficient services to blind and visually impaired citizens of the Commonwealth. The staff of the Legislative Research Commission are to be commended for the draft version of the "Program Evaluation of the Bureau for the Blind." The evaluation is one of scholarship and professionalism.

We are proud that the LRC Study provides recognition that the brief experience of the Bureau for the Blind has resulted in improving the lives of hundreds of blind and visually impaired people and their families, that the Bureau for the Blind now serves more individuals than any previous state program for the blind, and that agency administrative cost has been stabilized to a level consistent with other rehabilitation agencies throughout the nation. The Study finally provides documentation and authority that the Bureau for the Blind has arrived as a reputable and solid state agency.

The report also provides valuable recommendations on how the administration of the agency may be strengthened, how the agency may improve in its management, and how the insufficient funding and support of the agency continues to hinder the progress of visually handicapped citizens.

We feel that it is in the constructive interest of the blind and visually impaired of the Commonwealth to reply only to: A. the recommendations brought forth in the Legislative Research Commission Study of the Bureau for the Blind and B. the questions presented by members of the Committee for Program Review and Investigation at its session of July 23, 1980.

RESPONSE TO RECOMMENDATION OF THE PROGRAM EVALUATION OF THE BUREAU FOR THE BLIND

We have in chart form demonstrated our response to each of the recommendations presented in the Legislative Research Commission evaluation. Response is given either "inappropriate" or "appropriate" with brief explanation. One broad area of appropriate discussion needs to be presented in detail: The institution of a Special Task Force to provide further study and recommendations for the Business Enterprises Program.

The Bureau for the Blind is in agreement with the Program Review and Investigation Committee that there are many problems associated with the State's vending facility for the blind. However, given the facts that there shall have to be far-reaching changes in the basic philosophy and construction of the program, and that these changes shall have to be made in consistency with the Randolph-Sheppard Act while being mindful of the well being of vendors of the program we request that a Special Task Force be assembled to provide more indepth study and recommendations to the areas of concern.

We recommend that the Task Force consist of five (5) to seven (7) members.

We recommend that the Task Force draft its recommendations in the form of new "Rules and Regulations Concerning the Conduct of the Vending Facility Program in the Commonwealth of Kentucky," consistent with the Randolph-Sheppard Act, implementing regulations of such, and applicable laws of the Commonwealth.

We recommend that the Task Force make a draft legislative recommendation to implement a State modificiation of the Randolph-Sheppard Act so that vending facility opportunities for the blind may be expanded into all State property.

FIELD SERVICES (cont)		
RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The Bureau should evaluate its operational plan to determine if more clients can be served through existing offices or whether new field offices are needed.		Two additional counseling positions shall be provided to serve the severe concentrations of blindness in Eastern Ky. Counties. See Table I "Target Population by Service Area: Disabled Blind Adults Drawing SSI & SSDI.
TECHNICAL AIDS		
RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The research and development function should be moved out of the Bureau to establish a non-profit enterprise which will conduct those and other functions. Such an organization should be able to receive funds from public and private sources without the restrictions of state budgeting. This organization should also be able to produce (or contract to produce) its products.	Report does not distinguish between "research" and "job engineering," an <u>essential</u> rehabilitation service to reconstruct job situations for specific individuals so they may enter into employment. The research function should be more tightly controlled and budgeted separate from engineering, and managed by the Bureau so that research functions may specifically impact the Bureau's mission.	
The state should guarantee that such an organization will be funded at least at the present funding level of the Division of Technical Services	Such level of funding would exceed the present funding level for "Research" functions. Funding should be limited to availability of funds.	
Pursuant to the adoption of the previous recommendations, the technical aids unit should become part of the Division of Field Services.		Will request an Executive Order to resolve this issue.
The responsibility for the TBM's their distribution and all related activities should be transferred to the State Library for the Blind and Physically Handicapped.		Will request an Executive Order to resolve this.
The function of recording textbooks should also be transferred to the State Library for the Blind and Physically Handicapped.	"Reader Services" is one of the mandatory services that a rehabilitation agency for the blind must provide. See CFR 1361.40 (a) (9). Bureau shall provide <u>feasibility study</u> .	
BUSINESS ENTERPRISES PROGRAM		
RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The Division for Business Enterprises should enforce timely and accurate monthly reports.		Management Issue. Provisions for this has been made part of program rules and regulations, and at this time is being strictly enforced.
The Division of Business Enterprises Programs (DBEP) should review the repair records of each of the facilities and take corrective actions in stands where poor maintenance results in high repair rates.		Management Issue. In process, but reviews shall be made more formal.
The DBEP should keep a log of machine repairs to identify types of machines and individual machines which have high repair rates. Such machines should be phased out of the program through a reasonable timetable.		Management Issue. Has been in process since 6-1-77.

ADMINISTRATION		
RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The executive director of the Bureau for the Blind, Department of Personnel staff, and the Secretary of the Education and the Arts Cabinet should examine the Bureau's present personnel organization and recommend to the Governor issuance of an executive order to abolish unnecessary positions.		We will recommend an executive order to resolve this issue.
The division of Section 110 funds between the Bureau for the Blind and the Bureau for Rehabilitation Services should be made via bona fide negotiations between the two bureaus, with the Secretary of the Education and the Arts Cabinet making the final decisions. This report cannot and does not recommend any specific percentage distribution of these funds between the two agencies.		Agency heads of the Bureau for the Blind and Bureau for Rehabilitation Services shall meet and mutually develop appropriate criteria for negotiation of division of funds.
The General Assembly should amend KRS 164.460 to read: "Visually impaired means a medically diagnosed condition of the eye which results in a handicap to employment for the individual."		Will request executive order to resolve this issue. "medically diagnosed" deked since the procedure for diagnosis is provided under federal regulation CFR 1361.35 (a)

ADVISORY COMMITTEE		
RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The committee should adopt by-laws and procedural rules delineating its responsibilities and governing its operations. Such bylaws should reflect its advisory nature.		By laws should be adopted by Bureau for the Blind. Request an executive order.
The committee bylaws should restrict vendors in the Business Enterprises Program (BEP) from voting on policy and budget matters which affect the BEP program.		Such shall be reflected in bylaws.
The tenures of membership should be fixed and members should be appointed on a staggered or rotating basis.		We will recommend an executive order to resolve this issue.
The committee members should be recommended by the Bureau for the Blind and appointed by the Governor or the Secretary of the Education and the Arts Cabinet.		We will recommend an executive order to resolve this issue.

FIELD SERVICES		
RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The Bureau should have an effective supervisory system for field offices. The Bureau should also set a performance level for each of its field offices and should strengthen those offices which do not attain those levels.		Two field supervisors have been added, March 1, 1980. Performance standards have been established to monitor eligibility determination, Individualized Written Rehabilitation Programs, and Job Development and Placement.

BUSINESS ENTERPRISES PROGRAM (cont)

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The Bureau for the Blind should use an eight-year depreciation period for vending machines and seek to prevent early replacement of machines.		Management Issue. A formal schedule shall be developed to accomplish this.
The Bureau should de-emphasize the use of vending machines and reduce their number. The Bureau should consider placing more emphasis on over-the-counter sales.		Management Issue. In process, but shall be made more formal. Already three facilities have been converted.
The Bureau should analyze its machine inventory to identify duplicative machines or types of machines that can be eliminated from the program.		Management Issue. In process, but shall be made a major objective of program.
The Bureau should, wherever possible, purchase reconditioned machines rather than new ones. (This recommendation pertains to existing facilities only.)		Task Force. Would require change of basic program structure and require a formal change in Rules and Regulations, including approval of the Commissioner of the Federal Rehabilitation Services Administration.
The Bureau for the Blind should decide which method is preferable to calculate the set aside payments and assure that facilities keep the minimum necessary records as outlined by the Office of the Auditor of Public Accounts.		Task Force. Although current policy is consistent with Randolph-Sheppard Act which requires that set-aside be calculated on "net proceeds," Task Force should review current regulations to assure that records are consistent with Public Auditor.
The Bureau should develop an on-going in-service training program to instruct vendors in keeping necessary records and assure that they do so. Further, the Bureau should analyze the data on a regular basis to detect any problem as it arises.		Management Issue. Such program shall be instituted.
The Bureau should perform several unannounced audits per year on randomly selected facilities.		Task Force. Although the Bureau now has a process for facility audits, Task Force should examine issue.
The Bureau should develop a mechanism to assure more accurate and timely set aside payments from vendors.		Task Force. The Task Force should examine whether a system beyond auditing and penalties is feasible.
The Bureau should identify a minimum level of profitability and help stands achieve that level.		Task Force. Issue is what is a minimum level of profitability, and how can this be addressed in formal Rules and Regulations.
The Bureau should develop profit criteria for individual types of machines and phase out those judged unprofitable.		Management Issue. In process, but shall be made formal objective.
Profit criteria should also be applied to individual machines whenever there are indications that they do not generate enough business. Such machines must be withdrawn from the program.		Management Issue. In process, but shall be made a formal objective.

BUSINESS ENTERPRISES PROGRAM (cont)

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The Bureau should gradually withdraw public subsidies from profitable facilities. Marginal stands should be assisted in improving their profitability. Stands which cannot meet such criteria should be phased out and closed.		Task Force Issue. Involves basic change in program structure which has to be made with institution of new program rules and regulations.
The Bureau should take steps to assure businesslike management of vending facilities.		Task Force Issue. Recommend standards.
Facilities which are not profitable or cannot become profitable with technical assistance from the Bureau should be phased out.		Management Issue. In process, but shall be made major program objective.
There should be two distinct and separate aspects of the program, one which manages and supervises existing stands, and one which trains new vendors and sets up new facilities.		Task Force Issue. Involves basic change in program structure which has to be made with institution of new rules and regulations
<p>The detailed responsibilities of the BEP program in terms of management and supervision of existing stands should include the following:</p> <ol style="list-style-type: none"> <li>Assisting stands which are not profitable or which are having management problems.</li> <li>Gradually withdrawing public funds from stands that meet a specified profit level.</li> <li>Offering repair and maintenance services to existing facilities at actual cost.</li> <li>Phasing out and closing facilities which do not meet profit criteria.</li> <li>Inspecting stands to insure compliance with licensing terms.</li> <li>Performing periodic, unannounced, audits on at least three stands per year.</li> <li>Developing and distributing a manual of operations and regulations for running the facilities.</li> <li>Conducting in-service training for vendors to familiarize them with records, accounting procedures, regulations and changes resulting from this report.</li> <li>Conducting all other management and supervision activities in accordance with federal and state laws and regulations.</li> <li>Collecting set aside payments.</li> </ol>		Task Force Issues.
The detailed responsibilities of the BEP program in respect to program expansion should include the following:		Task Force Issues:

**BUSINESS ENTERPRISES PROGRAM (cont)**

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
<p>a. Establishing new facilities according to federal and state laws and regulations.</p> <p>b. Finding new locations and negotiating leases and other necessary arrangements.</p> <p>c. Enrolling and training new vending facility operators.</p> <p>d. Providing assistance to new facilities for a specified period of time or until they become profitable.</p> <p>e. Licensing new facilities according to federal and state health standards and regulations.</p>		
<p>The Bureau for the Blind should transfer ownership of all vending machines presently employed in the BEP to the facility operators.</p> <p align="center">OR</p> <p>The Bureau should lease the vending machines to the operators, with a sliding rental fee. Such fee should decrease to a minimum as machines become older.</p>		Task Force Issues.
<p>The Bureau should make the vending facility owner-operators fully responsible for equipment maintenance, repair and replacement.</p>		Task Force Issues: Will this cause the deployment of vendors?
<p>The Bureau should reduce the required set aside payments from ten percent of net proceeds to five percent of net proceeds.</p> <p align="center">OR</p> <p>The Bureau should reduce the required set aside payments from ten percent of net proceeds to three percent of net proceeds. If this alternative is chosen, the General Assembly should provide the additional \$18,000 necessary to support the BEP via a general fund appropriation.</p>		Task Force Issues.

**KENTUCKY REHABILITATION CENTER**

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
<p>The Kentucky Rehabilitation Center should devise and maintain a follow-up system on clients leaving the adjustment program</p>		Management procedures shall be instituted.
<p>The Bureau for the Blind should evaluate the costs and procedures at the Kentucky Rehabilitation Center to determine whether adjustment services can be delivered more economically.</p>		Management procedures shall be instituted: Cost accounting system.

KENTUCKY REHABILITATION CENTER (cont)

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The Bureau for the Blind should make greater use of the services of the Eastern Kentucky Rehabilitation Center at Thelma, Kentucky. Efforts should be made to obtain similar blind adjustment and vocational services in Western Kentucky.		Agency heads of the Bureau for the Blind and Bureau for Rehabilitation Services shall mutually provide a cooperative agreement whereby this recommendation shall be achieved.

EMPLOYMENT SERVICES

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The Bureau for the Blind should abolish the Division for Employment Services and transfer its personnel and functions to the Division for Field Services		Will request an Executive Order to resolve this issue.
The Director for Field Services should assume responsibilities for job development and coordinate such activities through local counselors. The director's office should also coordinate the identifying and developing of new employment opportunities for the blind and visually impaired.		To be resolved through internal policies and procedures.
Primary job development responsibilities within communities should be transferred to the counselors, with assistance and coordination from central office and program supervisors.		To be resolved through internal policies and procedures.

KENTUCKY INDUSTRIES FOR THE BLIND

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
The KIB should establish a work activities center for permanent employment of low production blind and visually impaired workers. This center could include training opportunities (such as woodworking, small engine repair) in addition to industrial training for Bureau rehabilitation clients. The state portion for establishing a work activities center would be approximately \$10,000.		Program may be instituted after a determination of effectiveness and efficiency.
KIB should apply to the Kentucky Department of Labor for work certificates for low production employees and trainees of the Center.	Productivity gains can be made through a Capital Equipment fund. We intend to make better use of the part-time employee status and the differential in job classifications between Blind Industry Laborer I, II, and III to pay the lower production worker and trainees.	
The Bureau for the Blind should refer more of its eastern Kentucky clients to the Eastern Kentucky Rehabilitation Center at Thelma, Kentucky, for training (see section on Kentucky Rehabilitation Center for the Blind).		Agency heads of BFB and BRS shall provide cooperative agreement.
The General Assembly should appropriate \$100,000 (a one-time appropriation) to KIB for a permanent, revolving capital equipment fund. Purchases could be		Shall necessitate action by General Assembly.



KENTUCKY INDUSTRIES FOR THE BLIND (cont)

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
made from this fund for production equipment for projects using equipment purchased via the equipment fund to replenish the fund as soon as practicable after these purchases are made, but in no case at a rate slower than repaying to the fund ten percent of the cost of each piece of new equipment per year in each of the ten years following purchase. It is estimated by KIB, after conferring with National Industries for the Blind, that a capital equipment fund would increase production contracts by \$80,000 to \$110,000 per year.		

OMBUDSMAN

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
<p>The General Assembly should amend KRS 163.470 to remove the office of the ombudsman from the Bureau for the Blind and establish such function for all handicapped clients within the office of the Secretary of Education and the Arts Cabinet</p> <p>OR</p> <p>The General Assembly should amend KRS 163.470 to remove the office of the ombudsman from the Bureau for the Blind and establish this function as recommended by LRC Research Report No. 165.</p>	<p>Federal Regulations (CFR 1361.46) mandate that rehabilitation agencies have an <u>in-house</u> process to hear and resolve the grievances of dissatisfied applicants and service recipients. It should be the administrative decision of the agency head to determine whether that process shall be managed by an "ombudsman" or "hearing officer." An ombudsman position outside of the agency would be a duplicative service.</p>	<p>Will request an Executive Order to resolve this.</p>

FIELD SERVICES (cont)

RECOMMENDATION	INAPPROPRIATE	APPROPRIATE
<p>The Bureau for the Blind should set an acceptable limit for expenditures per client in each geographical area. Cases which require more intensive services should be reviewed by program supervisor. No payments over the set limit should be approved within such a review.</p>		<p>Such controls have been implemented.</p>

RESPONSE TO QUESTIONS PRESENTED BY COMMITTEE  
FOR PROGRAM REVIEW AND INVESTIGATION, JULY 23, 1980

- A. What type of evaluation services does the Bureau for the Blind have? How strong is the evaluation process? Could some be put into a reorganization?

The Bureau for the Blind has two individuals (Program and Staff Development Officer and an Administrative Specialist) who each spend one-fourth of their time in formal program evaluation. Currently, as a routine, the evaluation section charts agency progress according to the overall agency goals and objectives established in the Federal "Program Financial Plan" and the State "Program Status Report." For the Division of Field Services quarterly evaluation is provided according to the "General Standards" promulgated by the Commissioner of the Rehabilitation Services Administration. Special evaluation studies have been completed on "Population Estimates of the Blind and Visually Impaired in Kentucky," "Financial Accountability of the Business Enterprises Program," the Rehabilitation Center and the progress of the Division of Field Services, all of which were provided to the Legislative Research Commission evaluation staff for consideration in their study. Formal on-going evaluation programs have been developed for the Rehabilitation Center, the Business Enterprises Program Employment Services, and Technical Aids, but have not been implemented. Through a reorganization of staff duties to allow increased staff time in evaluation the process will become more effective management tool.

- B. What is the life of equipment used in the Business Enterprises Program? What is done with it when it becomes worn out?

We accept the LRC Study in its conclusion that on the average vending equipment lasts around five to six years. The duration of equipment, like all mechanical equipment, depends upon frequency of use. As the study indicates, the Federal law that does not allow the expenditure of Federal dollars for repair promotes a higher turnover practice of equipment.

Used equipment removed from facilities, if serviceable, is used in other facilities as "replacement equipment." Equipment that has become "worn out" and has reconditioning value is traded in on new equipment, and the trade-in inbursement is used to pay for repair parts. Worn out equipment that has no reconditioning potential is junked. The Business Enterprises Program received special permission for the above procedures from the State Department of Finance and Administration while it was a part of the Bureau of Rehabilitation Services. A process for accounting of inventory of equipment is maintained in detail according to Federal Regulation, CFR 74.140.

- C. Explain the high cost of vending facility construction. Does it limit the opportunities of the general population of blind people?

According to Federal statistics the most costly rehabilitation is one where a blind individual enters into a vending facility. In 1978 the national average cost of the rehabilitation of a blind person was \$8,500 while it costs almost \$20,000 for a vending facility rehabilitation. According to data presented in the LRC evaluation it would cost the Kentucky program \$22,717 per vendor to reconstruct all of the State's existing vending facilities (Page 90, Total Capital Investment divided by total number of vendors). According to the past Federal reports of the Bureau for the Blind new facility construction averages have been as follows:

1977	\$30,615
1978	\$33,304
1979	\$36,776

Kentucky's cost of construction is so high due to its emphasis on automated vending. We estimate construction cost per facility could be reduced by one-third if an over-the-counter concept was made standard for the program. However, in many cases, such as Industry and Federal facilities where contracts call for 24 hour service, automated vending is the only way that the Business Enterprise Program can be competitive.

Certainly, the high cost of construction limits the potential for blind individuals to enter into vending as a career. The Bureau for the Blind does not have the resources to go beyond the planning of three of four new annual constructions employing seven or eight new vendors per year.

D. What is the average annual vendor income?

We accept the date presented in the LRC evaluation as generally correct: \$16,000.

E. Why does the rehabilitation process in Kentucky take so long as compared to other states? Please explain.

Using FY 1978 federal report data, this can be explained by a comparison of the outcomes of the persons rehabilitated by the Bureau for the Blind with the rehabilitation outcomes of other states. For that period the Bureau for the Blind led the southeastern region with the highest percentage of rehabilitation in competitive employment (an outcome that usually requires extended periods of training) and ranked the lowest in percentage of rehabilitations in sheltered employment and homemaker outcomes (career fields that usually do not require training).

#### COMPARISON OF REHABILITATION OUTCOMES FOR AGENCIES FOR THE BLIND BY PERCENTAGE FOR TY 1978

	% Competitively Employed	% Sheltered Employment Or Homemaker
Bureau for the Blind	76%	24%
Average of All Agencies	45%	55%

Although this data speaks well of the Bureau for the Blind training and employment programs, it shows that the agency programs for homemakers and sheltered employment are lacking, especially services for persons with sheltered employment potential. During 1978 only 7 (seven) Bureau for the Blind clients entered into sheltered employment (five (5) to K.I.B.), less than 3% of all agency rehabilitations are far below the national average of 11%. Although the Bureau has instituted a Home Teaching Program to increase its homemaker services, its sheltered employment programs still rank among the weakest in the southeastern region.

F. The vending program has been successful in Federal locations. How successful has the program been in locating State facilities? Would a "little" Randolph-Sheppard law help?

The Kentucky program has had tremendous success in the implementation of the Randolph-Sheppard Act in the development of vending facilities on Federal property within the Commonwealth. Twenty-one blind vendors now operate facilities at General Services Administration, Post Office, Tennessee Valley Authority and Fort Knox properties. Without the Randolph-Sheppard Act, which gives the blind federal vending priority, this success would not have been possible.

As far as State building go, the program has had only limited success. Thirteen vendors operate facilities in the State office buildings in Frankfort, Louisville and Owensboro - only a small percentage of all state properties. The State Vocational Schools, however, have recently invited the B.E.P. to study the possibility of locating vending facilities on its property.

We believe that a State law modeled after the Randolph Sheppard Act would, if implemented, increase the numbers of blind persons in the B.E.P. by 50% and have great significance in the resolution of the problems that now exist in the program. We recommend that the Task Force, which will consider B.E.P., make a legislative proposal to institute a Kentucky "Little Randolph-Sheppard Law."

G. How much cooperation are we getting from Higher Education regarding vending facilities?

State Universities and Community Colleges have not been interested in providing vending facility opportunities for blind persons. Their arguments have generally been that institutions of higher learning need the profits (commissions) from vending machines and snack bars to fund student scholarship programs or pay-off bond indebtedness. However, in two recent instances, when the B.E.P. won competitive bids and agreed to pay commissions, the Universities still turned the program down.

The solution to this problem is a State Randolph-Sheppard Law that would allow all parties to work out mutually beneficial programs. The state of Alabama recently passed a little Randolph-Sheppard Law, an Auburn University (enrollment 58,000) has moved to progressive implementation. The University was allowing students on work-study to operate a network of campus sundry shops, all at a loss and expense to the school. The Alabama blind vending program was invited to take over these operations, and now, seven qualified blind professionals have improved services to the point that each of them is making a profitable income. This same kind of thing is possible for Kentucky, for legislative initiative is the first step.

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TABLE I

COMMONWEALTH OF KENTUCKY  
BUREAU FOR THE BLINDTarget Population by Service Area  
Disabled Blind Adults Drawing SSI & SSDI

<u>Service Area Office</u>	<u>Counselors</u>	<u>Total Population (a)</u>	<u>SSI (b)</u>	<u>SSDI (c)</u>
Ashland	1	226,269	152	116
Bowling Green	1	304,728	118	152
Corbin	1	222,537	342	225
Covington	1	320,849	64	124
Hazard	1	198,462	266	162
Lexington	2	475,242	188	196
Louisville	4	982,425	282	695
Owensboro	1	260,221	102	171
Paducah	1	219,672	72	122
Somerset	1	214,588	242	127
	<u>14</u>	<u>*3,427,800</u>	<u>1,828</u>	<u>1,907</u>

\* Figures do not add because of rounding

- (a) 1976 Population data base: University of Louisville - Urban Studies  
 (b) Actual count from Social Security Administration, December, 1979.  
 (c) Actual count from Social Security Administration, February, 1979.





